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FR TEHRAN

TO DA WASH

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MESSAGE **SECRET** DEPARTMENT OF THE ARMY
STAFF COMMUNICATIONS OFFICE

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FROM: SANA TEHERAN IRAN

TO: DA WASH DC, CINCUSAREUR HEIDELBERG GERMANY, US DIV
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JAN 60

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SGD WAILES

1. Iran-Soviet

(1) Propaganda

Radio Moscow continued harp on theme that Iranian leaders prefer to spend colossal sums on arms rather than use funds promote culture. Stated that Sovs attach more importance to Iranian poets than Iranians themselves; therefore, Sovs would continue quote Iranian poets in spite of Iranian objections.

Clandestine "national voice of Iran" accused govt of inflicting gunshot wounds and bloodshed upon demonstration students who recently complained about Min Education decision raise grade minimum; accused Shah of cashiering patriotic officers and discussing transfer thirty high ranking officers; alleged Army under suspicion, and foreigners control security at palace. In another broadcast NVI said conditions in villages Iran miserable. (UNCLASSIFIED)

Comment: (CONFIDENTIAL) Sov propagandists continue endeavor undermine Iranian institutions, but without apparent success. Continuing propaganda, however, clearly makes officials nervous. (CONFIDENTIAL)

(2) General

Sov Amb Pegov still absent from post. Iranian newspapers conjecture that when Pegov returns reapproach-ment between two nations will be effected. (UNCLASSIFIED).

(SECRET) In recent conversation Shah stated Iran in complete stalemate negotiations with Sovs. Amb took opportunity suggest that Shah might wish consult with US before giving assurances Sovs re missile bases. Shah did not specifically agree, but Amb feels that in likelihood ***

NOTE: ***Being serviced.

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(16 Jan 60)

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should arise again. Shah will consult US. Shah's present thinking indicates that most he prepared agree to would be make statement effect no missile bases Iran for intermediate or long range missiles carrying atomic warheads. (End SECRET)
Comment: None

B. Iran-Iraq

Radio Tehran adopted milder tone in broadcasts as press reduced coverage on Iran-Iraq relation during past week. Most papers curtailed editorial comment on Iraq, and Shatt-Al-Arab in particular some speculated new Amb would be appointed. "News" stories also reduced in volume. Consistent attention given however to movement Sov ships reported delivering arms and mil equip at Basra, to report Sov gov has given Iraq 30 motor torpedo boats and new report that Iraqi ship "Faisal" has been reconnoitering Shatt off Khosroabad. Press reported official sources declined confirm reports Iran may recruit fgn pilots for navigation of Shatt; also that Iraq gov asked Iran refrain from taking issue to any international org for hearing or settlement. Press also reported that FonOff had instructed Embassies they should inform commercial companies any goods meant for Iranian ports labeled other than Persian Gulf, will not be permitted discharge in Iranian ports. And loss thereof will be suffered by consigners. Press reported Fon Ministry communication is final notice to all shippers in this regard. (UNCLASSIFIED)

Comment: Shatt-Al-Arab issue quiescent for moment at least, with Iran gov and press turning major attention this week to internal affairs. AmConsul Basra has reported delivering three motor torpedo boats approx 15 Dec. (CONFIDENTIAL)

C. Persian Gulf Sheijto

Press reported Gen Teimur Bakhtiar, Dep PM and Savak Chief, flew Bandar Abbas Jan 7 greet Sheik of Dubai and Crown Prince of Qatar, on visit south of Iran. (UNCLASSIFIED)

Comment: Gen Bakhtiar continues take personal responsibility attempt insure improvement Iran's relations and extension of influence in accessible Presian Gulf States. (OFFICIAL USE ONLY)

D. Internal

(1) Student Demonstrations

Jan 11 several thous high school students demonstrated in protest MinEducation ruling raising grade for admittance specialized courses. Authorities forwarned.

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Police cadets and standby MP units reinforced Tehran police. Minimum of strong-arm tactics employed. Students clamored for resignation MinEducation Tehran, burned one or more cars, broke windows, and scattered files from one bldg. Govt statement blamed demonstrations on adventurers who attempted mislead students, reported nbr of non-students arrested for intervening. PriMin's declaration following day urged students devote energy to studies, warned govt was alert, would punish agitators. Most students returned school after intervening religious holiday. Police and Army units stood by breaking up threatened continuation of demonstrations which failed materialize except for minor gatherings quickly dispersed. (UNCLASSIFIED)

Sources report no one shot nor fatally injured throughout period. Most students arrested were returned to parents. (OFFICIAL USE ONLY)

Comment: Authorities had situation under control at all times. Were fully prepared deal harshly with threatened continuation of demonstrations allowed first day. Students do not appear have won any concession thus far. Political implications appear minimal, view of issue and govt action restrict any outside effort exploit situation. (CONFIDENTIAL)

(2) Majlis

(A) Lar Valley-Latian Dam Bill

Only major completed action of week was Senate passage Lar Valley-Latian Dam Bill, without including Major Majlis amendments requiring govt purchase of land around proposed dam site. (WEEK 1) (UNCLASSIFIED)

Comment: Dispute on whether only Majlis, or both Majlis senate can amend fiscal bills thus continues. (OFFICIAL USE ONLY)

(B) Majlis election decree

Shah issued proclamation Jan 11 stating that to meet legal requirements, Minint should, at once, begin steps necessary for election.

Elections should begin March 11. 19ty Majlis will come to official end June 11. Bill apportioning new election districts based on changes in populations, has not yet been submitted to Majlis. (UNCLASSIFIED)

Comment: Although elections must begin March 11, there no legal requirement as to when they must be completed. New Majlis scheduled to have 200 members, but

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can legally function with 101. Quite possible Shah will want decisions to proceed slowly so he can continue withhold his backing from those candidates who not completely cooperative in major concerns such as land distribution bill and other pending matters. (CONFIDENTIAL)

(C) Land reform bill.

Following pen conflict with Min Agri Amuzegar, chairman of special Majlis land reform bill commission. Arsalan Khalatbari, two other members, said Mahdavi and Manuchehr Teimurtash resigned. Necessity taking family members to Europe for medical treatment given as resignation reasons first two. Teimurtash resigned on principle after heated exchange with Amuzegar though point immediately at issue was minor.

Exchange between Khalatbari and Amuzegar covered substantial elements of bill such as long term aid for farmers, irrigation maintenance, and intent of restriction on holdings. Khalatbari reportedly defended large landowners as providers some form social security for farmers and as bulwark of support for country's regime. Amuzegar replied bill had double aim increasing productivity and extending social justice. Said to have declared more farmers meant more support for regime. (UNCLASSIFIED)

Comment: Although resignations will probably have effect crystalizing certain amount of opposition, strength of latter in Majlis APRs weakened result latest exchanges and govt determination press committee get on with bill. Committee has accomplished little thus far which prepares bill for presentation to Majlis as a whole. (OFFICIAL USE ONLY)

(3) Rumored cabinet changes

Embassy notes annual rumors re cabinet changes traditionally preceding *, early this year. Rumors include PM Eqbal. Rumors persist that rift exists on Eqbal cab with Min Finance Zargam heading one side and Min Indus and Mines Sharif-Emami other. As result, reports received that Min Comm Etebar, Min Educ Mehran, Interior Min Atabaki, Sharif-Emami and Min Just Hadayati would resign on grounds being unable work any longer with Eqbal. Rumor has it this would lead to PM's removal and replacement by either

NOTE: * As received.

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Majlis speaker Hekmat, Ex-Min Taleqani, Sharif-Emami, NIOC head Entezam-or even Seyed Zia-Ed-Din-Tabatabai. Emb also hears Hasan Ali Mansur will become Min Comm with Reza Ansari UnderSecretary in to replace him, and that Gov Bank Melli Kashani will also resign. (OFFICIAL USE ONLY)

Comment: Emb feels that some cab change may be in offing. Etebar and Atabaki resignations most likely. Emb unable predict duration Eqbal tenure which, of course, depends upon whim Shah, Emb cannot, however envisage at this time any advantage to Shah departure Eqbal. Most eligible contender, Sharif-Emami, has poor reputation and would not particularly enhance position Shah. (CONFIDENTIAL)

2. Psychological

A. Press and radio

(1) Student demonstration

On morn of demonstration (Jan 11) Farman noted that "strikecall" had been issued by leaflets and supported by Clandestine radio predicted failure, blamed principals on no-gov high schools seeking to protect interests. Next day Etellaat and Keyhan instructed by gov on demonstration coverage. Keyhan issue delayed until sensational headline deleted. Papers argued necessity for higher acad standards. PM's statement blaming instigators read over Iran tv, published in full by papers. When predicted continuation demonstration failed materialize, Etellaat was "grateful", said his supported students "legitimate demands". Keyhan said students had foiled "subversive elements", but said it had written little on demonstration "because truth hidden from us". Injuries given only passing mention. Bamshad published official pars agency denial of deaths. Eight other small papers editorially condemned demonstrations. (LIMITED OFFICIAL USE)

Comment: Official concern indicated by visit of court "spokesman" to Etellaat, Savak control of coverage, wide publication official statement, PM speech. Popular rumor saw hand of Shah in affair as device keep cabinet divided, off balance. Public unconcerned merits high school student protest but mindful past violence by univ students and satisfied effective gov handling. (CONFIDENTIAL)

(2) papers suspended

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Three small papers Vahameh, Mehre Iran and Eradehe Azerbaijan, suspended temporarily by Savak. Vahameh referred to Lippman article saying Iran unimportant, US should prepare to pullout. Mehre Iran and Eradehe Azerbaijan sharply critical Minhealth in widely publicized case of woman who died after being refused admission to gov hospital (LIMITED OFFICIAL USE)

Comment: Suspensions involved sensitivities of court on one hand. Minhealth on other. (LIMITED OFFICIAL USE)

(3) Iran Iraq

Etelaat says internal party split lessens danger communist take over in Iraq. Keyhan says tension between countries easing. Both papers report "terror, disorder" in Iraq. Smaller papers continue to urge strong defense Iran's interests, condemn Mahdavi's trials, discuss Sov aid to Iraq. Few refer to Qassim. (UNCLASSIFIED)

Comment: Tone more moderate, but press still stressing differences with Iraq with little mention prospects for settlement. (UNCLASSIFIED)

3. Military

A. Army

(1) Dep Comdr ground forces. Maj Gen Reza Amami, Chief IG. SCS. appointed Dep Comdr ground forces. Position vacant since death Lt Gen Hashtrudi last fall. Prior assuming posit. Gen Azimi.

Traveling to Switzerland for approx 3 months med treatment unknown ailment. (CONFIDENTIAL)

Comment: Gen Azimi, ranking Maj Gen in Army has excellent reputation as capable off and well liked, especially by younger officers. This completes ground force staff assignments. (CONFIDENTIAL)

(2) Mil situation Khorramshahr. Past week mil situation Khorramshahr-Abadan area remained unchanged (Week 1). No rpt no incidents reported. No rpt no additional Iranian units redeployed. Situation Iraqi side also reported as quiet and normal (CONFIDENTIAL)

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Comment: Iranians appear to be awaiting next reaction Iraq and not overly concerned with situation at present. (CONFIDENTIAL)

B. Navy
Negative

C. Airforce

(1) Iran air flights restricted from Kabul
Iran air notified it could not operate into Kabul or Baghran military airport week of 4 January.

Comment: Reason undetermined. (CONFIDENTIAL)

(2) Iran-Lebanon air agreement

Lebanese conference with Iran gov in attempt secure civil air agreement deadlocked, probably result of Leb Gov wanting 10 flights weekly its four air carriers with additional privilege flying passengers Europe from Tehran, granting Iran's two carriers only eight flights weekly. On 9 Jan a TMA DC-4 (Lebanese) could not load passengers cargo at Hehran. Crew advised could return Beirut empty but elected remain. Both governments have informally agreed on only four round trips each per week. This exceeded fourth trip. Leb delegation departed Iran due inability obtain agreement. Several days later DC-4 belonging Persian Air Service impounded Beirut. 11 Jan Lebanese Viscount was impounded Mehrabad. Situation now Iran has cancelled all Iranian aircraft to Lebanon. TMA DC-4 may leave Iran empty. Lebanese Viscount impounded until the two PAS DC-4 leave Beirut. Iran Foreign Office has problem now.

Comment: None

(3) DGCA reorganization:

DGCA has received approval from him to reorganize civil aviation department to give civil aviation complete admin and financial independence from Ministry of Roads. Although plan has him approval it appears to be running into some difficulty due Minister of Roads and plan organization reluctance give up hold of Civil aviation. (CONFIDENTIAL)

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Comment: Reorganization needed if Iran's Civil Aviation organization and facilities to improve and meet expanding airline traffic in Iran. (CONFIDENTIAL)

(4) Iran air terminating trans ocean management agreement. President of Iran Air stated as of 15 Jan he will terminate Trans Ocean Airline management contract due to series of differences and what President stated was poor management of equipment and funds, also Trans Ocean Airline is a bankrupt company. He stated he would be interested in a management contract with PAA. (CONFIDENTIAL)

(4) IIAF action on shall AL Arab situation

On 5 Jan air attache flew over Dezful Air Base and Abadan airfield. There were no aircraft on Dezful and only one C-47 type aircraft was observed at Abadan. IIAF still has not depolyed any aircraft into Shatt area and its pilots are not on alert. (CONFIDENTIAL)

ACTION: ACSI

INFO: DCSOP, OSA, JIG, OSD, AF, NAVY, STATE

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JW 3

JAN 60

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SGD WAILES

1. Political

A. Iran-Soviet

(1) Propaganda

Radio Moscow quoted US news and world
report saying US gov enforcing US way of life on Iran.

Clandestine Nat'l voice Iran alleged Iranian
oil refining industry on decline, Savak jailing students,
10 people killed student demonstrations and Shah has blood on
his hands. In commemoration Ali's birthday alleged Shah not
Muslim. Also referred in detail Christian Science Monitor
art to effect US defriending opposition since Shah's regime
about collapse. (UNCLASSIFIED)

Comment: Vituperative Sov radio broadcasts seem timed
to take advantage of Iran gov's uneasiness caused by students'
demonstration and unusual volume articles critical Iran in
US publications. (CONF)

(2) Sov Embassy Activities

Amb Pegov still absent. Jan 18 charge
Voronin called on FonMin Aram informing him Sov armed forces
reduction. Voronin reportedly req this decision be officially
brought to attn Iran Parliament and that Sovs be apprised Iran's
reactions. (OFFICIAL USE ONLY)

Comment: Doubtful Sov Armed Force reductions will
have any impact on Iran. (OFFICIAL USE ONLY)

B. Iran Iraq

Latest dev in Iran-Iraq relations is emergency
of international efforts Turkish govt. Turk Amb Tehran told
Fon Min Aram Iraq gov does not seem displeased with Fon Min
statement Jan 3 (Wka 1) and indicated possibilities of im-
provement in relations. Aram told our Amb he gave Turk
Amb assurances on three points: (1) Iran ready ren Amb Ardala
to Baghdad soon as Iraq asks for agreement designating new Amb
to Tehran;

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(2) Iran prepared stop anti-Iraq propoganda immediately on reciprocal basis; (3) Iran willing withdraw troop reinforcements sent border area soon as progress is made with (1) and (2). (CONF)

Reduction in press coverage continues. Reporting and editorial comment mainly concerns internal devs Iraq. Tension over Shatt Al-Arab described as continuing but without new devs. (UNCLASSIFIED)

Comment: FonMin apparently pleased with Turkish good offices role. Emb encouraged as dev follows USG preference avoid direct CENTO involvement hitherto considered by Iran gov. (CONFIDENTIAL)

C. Iran-Pakistan

Shah, Queen scheduled go Pakistan for one-week informal visit beginning Feb 20. (UNCLASSIFIED)

Comment: None.

D. Iran-US

Papers announced Amb to US Ardalan and Dir Iranian info svc in New York Hamzavi being recalled to Tehran for unspecified future asgmts. Shah's son-in-law Ardeshir Zahedi to be new Amb.

Press speculating that whole new team top-level Iranians being sent in clean-sweep of ranking emb offs in Wash. Candidates mentioned Khosro Khosrovani, econ expert and former ConGen in Hamburg; Aslan Afshar, Majlis Deputy; Ali Nuri-Esfandiari of Protocol off, Qolam Ali Vahid-Mazandarani of FonMin. (UNCLAS)

Comment: Shift reportedly sign Shah's growing concern about critical articles in Amer Press. Hamzavi in particular blamed. Zahedi, despite lack of trng, will supposedly be in dir charge of public relations, and also his spec fld of Iranian student affairs in US. Zahedi will presumably report directly to Shah, avoiding FonMin. With Shah's only child estb as Amb's wife Wash can expect major society campaign. Emb fails see how this will accomplish Shah's aim of better U.S. press.

Zahedi's local directors, already pointing to his youth and inexperience, say he cannot possibly be successful. (CONF)

E. Internal

(1) Student demonstrations

No further demonstrations have taken place (Wka 2). Min educ has student grievances under consideration. Police and mil, however, remain in evidence near schools. (CONFIDENTIAL)

Comment: In spite rumors of demonstration sked 23 Jan, prospect of any further incident appears slight. Although govt concerned about public relations aspect, it will not DA IN 277811 (22 JAN 60)

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tolerate resumption any organized activity intended embarrass
estb authority (CONF)

(2) Majlis

(A) New senate election procedures.

Bill proposing dir election of senators sub-
mitted to senate Jan 18, includes articles to make election
procedures for senate identical with Majlis. (UNCLASSIFIED)

Comment: Bill certain be approved with minor changes.
Good move on part of govt to maintain pace of "reform".
Although little change in make-up of future senate expected,
idea of more dir representation is popular. (OFFICIAL USE ONLY)

(B) Bill proposing increase of Majlis deputies
submitted.

Single-art bill proposing increase Majlis
deputies FM 136 to 200 submitted Jan 17. As Syrian religious
community to be given seat separate fm Armenians. Two seats
also allotted to "islands in Gulf". (UNCLASSIFIED)

Comment: Although bill meeting gen approval, reps
of Eastern Azerbaijan and Fars not pleased since claim
percentage their proposed increases less than those of other
regions. Seats for "Iran islands in Persian Gulf" said to
be strategy to have representation fm Bahrein without referring
directly to that island and thus openly offend British. No
one will be fooled. (OFL USE ONLY)

(C) Death of Majlis Deputy Seqat-Ul-Eslami
Deputy Musa Seqat-Ul-Eslami dies in Vienna
on Jan 16 after sustaining serious injuries in auto accident.
(UNCLASSIFIED)

Comment: Seqat-Ul-Eslami mbr of famous Tabrizi
constitutional family. Known as strong anti-Russian and anti-
Communist. Had good reputation and was good friend of Embassy.
(CONFIDENTIAL)

(D) Land reform bill picks up momentum
Majlis spec committee approved art 2 of land
reform bill Jan 20 with some changes, principally increasing
auth land retentions. Requests to religious foundations only
auth fm portion remaining landlord after excess lands exceeded
to govt for redistribution.

Comment: Article 2 considered heart of bill. Speedy
approval of other articles now appears more imminent;
Optimists say bill should be on floor of Majlis in about 10
days. Committee under great pressure fm Shah himself to move
bill. Complaints, consequently, being voiced that not enough
thought being given bill. (OFFICIAL USE ONLY)

2. Psychological

A. Press and Radio

(1) Iran-Iraq

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Larger papers dropped editorial discussion of Iraq but report Sov arms shipments, flight of tribal leaders to Iran, anti-Qassim demonstrations in Iranian Provinces. (UNCLASS)

Comment: Barring new incitement, subj likely to fade away. (UNCLAS)

(2) Students

In four editorials Etelaat urges students to agree to higher academic standards and calls for more vocational schools to train idle secondary graduates. (UNCLASS)

(3) US press

Mehr Iran editorial on Zahedi appointment as new Amb to Wash quotes US Amb's recent luncheon remarks reviewing position of US press and govt. Paper absolves US press for "objectionable" reports about Iran, says Iranian envoys must make known Iran's achievements. Etelaat takes other views, says US reporters abuse freedom, publish false reports, echo Soviet attacks on Iran. Etelaat cites Time magazine Bolivia incident (UNCLASSIFIED)

Comment: Etelaat editorial written by publisher, indicating Iran gov interest in subject. Embassy has report Iran gov encouraging editorials and news stories based on U.S. press reports adversely reflecting on U.S. this reportedly in retaliation for American press criticism. (LIMITED OFFICIAL USE).

3. Military

A. Army

(1) Shatt Al-Arab

Military situation unchanged. No units moved during week and alert status remains same. (CONFIDENTIAL)

Comment: All quiet on the western front. (UNCLASSIFIED)

(2) Commandants of Iranian military schools to US

Lt Gen Qhahr Qholi Shahrokhshahi, Comdt Imperial War College, Maj Gen Ezatollah Zarqhami, Comdt Mil College, Brig Gen Seifollah Zarqhami, Comdr Inf Tng Cen, Col Ikhanpour, lessons Sec Mil College, Col (FNU) Arfian, Comdt English language school, plus interpreter, departed Tehran 20 Jan for 30 day orientation visit US mil schools, colleges and training centers. (UNCLASSIFIED)

Comment: Normal MDAP orientation tour. (UNCLASSIFIED)

(3) Visit dep USCINCEUR

General Charles D Palmer, Dep USCINCEUR, and party visited ARMISH-MAAG Iran 17-20 Jan. Purpose for orientation, proceeded to Karachi. (OFFICIAL USE ONLY)

Comment: Press speculated this follow-up Eisenhower visit and indicative of increased military assistance.

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B. Navy
Negative

C. Air

(1) Dezful Airfield

11 AF took over Dezful Airfield last week.
Press noted Iran will receive 6 supersonic jets from U.S.
in next few months (UNCLASSIFIED)

Comment: None.

(2) Iran-Lebanon Air Agreement

Iran-Lebanon have agreed to release each
other's aircraft (see Week 2) and continue for 1 month
old agreement of 4 flights per week each. Iranian delegation
will proceed Beirut to negotiate new agreement.
(UNCLASSIFIED)

Comment: None.

ACTION: ACS I

INFO: DCSOP, OSA, JIG, OSD, AF, NAVY, STATE

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SGD WAILLES
1. Political
A. Iran-US

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Most serious of recent unfavorable Iranian reactions to American press centered on Christian Science Monitor article of Jan 15 claiming US had made major policy change re Iran, now proceeding contact Iranian opposition leaders. Strong written and oral protests received by Embassy re article which apparently countered successfully by Dept's explicit denial substance article. Denial received in time for Shah's press conference where he commented favorably about it, although claiming he still unable understand how such article could have appeared. (CONFIDENTIAL)

Comment: These incidents based on Shah's exceptionally thin-skinned reaction any criticism regime; seeming fear that Iran being left by US in exposed position vis-a-vis USSR; concern about activities opposition agents abroad; and talk that US-UK oil companies involved to protect present profit-sharing arrangements. Although US denials have quieted this flare-up, causes remain and can be ignited by other such articles, inducing Shah to attempt play footsies with Sovs. (CONFIDENTIAL)

B. Iran-Iraq

FonMin Aram told our Amb suggestion received via Turk intermediary (Weeks 3) that Iran withdraw troop reinforcements Shatt-Al-Arab area, because Iraq had not reinforced opposite territory. FonMin indicated suggestion feasible but not yet discussed with Shah. Stated Iran's decision must depend some extent on number troops Iraq

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actually had in area.

AmConsul Khorramshahr reported important Khuzestan Arab Sheikhs Abdulaziz Fazeli attacked Qassim and Iraq gov on radio AHWAZ Jan 22. In later conversation with Consul Sheikh Fazeli admitted attack was local Savak idea. Fazeli told Consul he does not believe radio Baghdad capable stirring up trouble among Khuzestan Arabs, whom he declared completely loyal their Sheikhs. (CONFIDENTIAL)

Initial press comment on Iraq Gov's Jan 25 reply Iran FonMinistry statement Jan 3 (WEEKA 1) asserts Tehran political circles dismiss Iraq "white paper" containing no serious arguments against Iranian rights in Shatt-Al-Arab. No comment expected from FonMinistry. (UNCLASSIFIED)

Comment: Turkish suggestion and FonMin's reaction indicate continuing albeit tentative progress on Iranian side ease tension and remove major irritants. Sheikh Fazeli attack on Iraq out of step with policy of restraint current in Tehran. (CONFIDENTIAL)

C. Iran-Soviet

(1) Propaganda

Radio Moscow has intensified its attacks on Iran last two weeks concentrating student demonstration, Shah's press conference and "radio Tehran". Attacked Iranians in putting out false propaganda questioning sincerity Sov's disarmament proposals. Also alleged had plot against Iran gov's prosecution students. Radio Iran replying Moscow's charges with renewed vigor.

Clandestine NVI took religious theme occasion Mabas holiday, alleging Shah under domination infidels, voted against fellow Moslem Nation Algeria in UN having American advisors near his harem and kisses feet Ayatollahs only in time of need. Added 1000 Kurds being tortured by Savak; called on Kurds rise protect brothers. Commented Majlis approval \$25 million US loan road construction act treason and encouraged people overthrow govt. (UNCLASSIFIED)

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Comment: Relatively strong Sov line making no appreciable impact that Emb can detect. (OFFICIAL USE ONLY)

(2) General

Based on last week's Sov Embassy report (Weeka 3) Sov Parliamentary disarmament message read Senate Jan 27. Senator Dashti answered on behalf Senate saying Sovs appear sincere but advised Sovs forego force and quit insisting other nations go Communist. Asked why Sovs helping Iraqis and not Iranian neighbor. Sov message will be read Majlis today. (UNCLASSIFIED)

Comment: Dashti's rather sympathetic response obviously had top level clearance, may be straw-in-wind that Iran gov preparing ground for eventual detente with Sovs. (CONFIDENTIAL)

D. Iran-Great Britain

Parallel British statement refuting content Christian Science Monitor article well received by Iran gov. Local press emphasized declaration that HMG will cooperate closely with Iran gov in CENTO partnership, and that non-interference in internal affairs is cardinal principle HMG's policy. (UNCLASSIFIED)

Comment: Fact British published similar statement reinforce Iranian suspicions that US-UK policies run parallel Iran with US taking dominant role. (CONFIDENTIAL)

E. Internal

(1) Land reform bill plows along

Special Majlis Committee meeting in daily sessions has gotten through eight of thirty-six articles of bill. One important change since Weeka No 3: Land can still be sold until bill becomes law. Change is result of speaker of Majlis Hekmat's intervention with Shah and should make bill slightly more palatable. (OFF USE ONLY)

Comment: Bill not encountering much overt opposition in Majlis but many misgivings still being voiced

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about consequences of too hasty approval. Above-mentioned change may cause sharp rise in land transactions as land owners try get rid of excess land. Land prices could fall as result. (OFFICIAL USE ONLY)

(2) Senate election bill (Weeks 3)

Senate approved bill in first reading Jan 27. returned to committee for further study. First urgency not approved but final approval and transmittal to Majlis expect this week. (UNCLASS)

Comment: None.

(3) Increase in number of Ostans contemplated

Government plans submit bill very near future increase number of provinces from 14 to 17. Bill would raise independent governorates of Arak, Hamadan and Luristan to Governor General Eleven. (UNCLASSIFIED)

Comment: Proposal ties in with reapportionment of Majlis constituencies. (Weeks 3) Also means more prestige jobs available for increasing number public servants. (OFFICIAL USE ONLY)

(4) Zahedi appointment

Agreement for Ambassador designate Zahedi received with satisfaction by Shah. Princess Shahnaz left for Geneva Jan 21 while Zahedi busy being briefed by FonMinistry. Is expected to meet her within two weeks and fly on to US at that time. (UNCLASSIFIED)

Comment: Much critical and sarcastic comment about appointment coming from Zahedi's jealous contemporaries, many centered in FonMinistry. (CONFIDENTIAL)

(5) 1339 budget developments (Airgram No.

G-103)

Final budget reportedly to be approved by council of ministers in near future and submitted to Majlis. 21.5 percent increase in expenditures is envisaged with a

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defincit of about 12.4 million dollars. (CONFIDENTIAL)

Comment: Shah apparently unwilling or unable oppose insistence of cabinet Ministers for increases their respective Ministries. Deficit character of proposed budget would tend increase inflationary pressures within country. (CONFIDENTIAL)

(6) Shah's Mabas Salaam declaration

During Salaam occasion Mabas (Prophet Commissioning Day) Shah commented "if contemplated reforms not implemented, time may come when opportunity for implementation may not exist". Also decreed reference to 1000 families who reportedly run country. Said this not true. Said also primary cause present situation Iraq due tardiness former Iraq Gov implement land reform program.

Comment: Shah took opportunity religious celebration gather Iran officialdom, deliver pep talk, show himself very much in charge situation following recent difficulties with students and US press. (CONFIDENTIAL)

(7) New cab member

Musa Khatatan, acting Min customs and Monop following Zargam's appointment Min Finance, given title full minister. (UNCLASS)

Comment: Appointment Khatatan, career civil servant, has no political significance. Unlikely to become power in cab. Possible his appointment made so Zargam can dominate both ministries. (CONFID)

(8) Shah's press conference

On subjects other than US press (see Iran-US) Shah in Jan 23 press conference said rumors of cab changes unfounded; has no official news re US aid for coming year and not ready discuss matter; interested in capable gov leaders, attaches no significance to age such men; not worried about increased number Iranian bank notes circulating; pleased and hopeful about peace prospects at summit talks. (UNCLASSIFIED)

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Comment: As result Shah's support PM Eqbal at press conference latter's position more stable. Rumors re possible resignations in cabinet have diminished. (CONFIDENTIAL)

2. Psychological

A. Press and radio

(1) Iranian students in US

Several papers publish guarded comment in reported agitation among Iranian students in US. Small weekly Siyasi says students setting up "free Iran government". Unpublished rumor says Iranian professors in US, including brother executed Mossadeqists ForMin Fatami, responsible for student unrest. (LIMITED OFFICIAL USE)

Comment: Discussion of student problems abroad crops up periodically, but this first allegation of extreme dissatisfaction among them in several years. (LIMITED OFFICIAL USE)

(2) Iran-US press

State Dept denial of Christian Science Monitor allegations US dealing with "opposition" elements headlined. Most editorials express gratification, say denial emphasizes US interest in friendly relations with Iran. Several repeat Ettelaat view that US press "abuses" freedom and is misled by Iranian "traitors" in US. Official British denial of similar allegations also welcomed. Ettelaat says it proves strength of Iran's independent policy, which so repugnant to Sovs. (UNCLASSIFIED)

Comment: Dept statement cleared air, made essential point that US press not spokesmen of US policy. Statement also forestalled violent Iranian press attacks on US press and society (see Weeka 3) more cynical Iranian newsmen still inclined to read into recent US press criticisms Iran some hint of official dissatisfaction with regime. (LIMITED OFFICIAL USE)

(3) Iran Foreign information

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Director Department of Publications and Broadcasting announced plans to take over Iranian Foreign information program as of next March 21 (Iranian new year). DPB staff member says some five regional offices to be set up around world; press attaches to be appointed. Development bank manager Amir Ebrahimi says he is to be named for US post,, replacing Hamzavi (Week 3), generally regarded as ineffective and strongly pro-British. (OFF USE ONLY)

Comment: Shah's interest in better public relations abroad apparent in transfer of program responsibility to hardworking DPB director who has access Shah. Amir Ebrahimi also Shah's civil adjutant. (LOU)

(4) Iran-Iraq

Concern over drift of events in Iraq reflected in frequent editorials and reports of mistreatment of Iranians in Iraq, abuses of Shiite shrines, border clashes, Communist activities. Ettelaat says Qassim tool of Communists but people will rise against his regime. Shatt dispute unmentioned. (UNCLASSIFIED)

Comment: None

3. Military

A. Army

(1) Iraqi Army desertions.

On 17 Jan three armed Iraqi soldiers crossed Iran-Iraq border at Baneh and voluntarily surrendered to IIA, all sent to Tehran (CI-7-60, CI-8-60). (CONFIDENTIAL)

Comment: None

(2) Communist Committee in IIA.

Orders have been issued for arrest of approximately 25 IIA enlisted personnel reportedly members of Communist Committee in Tabriz, Mahabad and other locations II and III Corps areas. Members of committee said to be mostly Kurds (CI-7-60, CI-8-60). (CONFID)

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Comment: So-called Communist Committee may be operating under part I Demokrate-Kordestan, a Clandestine Kurdish Nationalist group. (CONFIDENTIAL)

B. Navy

(1) US-Iranian Naval exercises

Annual joint US-Iranian Naval exercise conducted in the Persian Gulf off Khark Island 17-21 January.

Comment: Although IIN showed improvement over last year, its capabilities still severely limited by lack of good petty officers. Shah showed considerable interest in exercise due perhaps to Shatt situation. (CONFIDENTIAL)

C. Air

(1) Iran Air drops contract with Transocean

As result managerial dispute Iran Air has cancelled its management contract signed with Transocean Airlines 1954. American representative Transocean has issued statement that Iranian cannot unilaterally cancel contract. Further quoted as saying that US pilots on strike. Iran Air issued statement Transocean has violated contract and has admonished pilots return work. Meanwhile air transportation within Iran virtually at standstill. (UNCLASSIFIED)

Comment: Situation at present time completely confused.

ACTION: ACSI

INFO: DCSOP, OSA, JIG, OSD, AF, NAVY, STATE

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1. Political
A. Iran-Iraq

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Iraq gov criticized in Majlis for alleged desecration of religious shrines in Iraq. Iraqi charge Tehran is denial similar allegations appearing local press. Insisted religious leaders and holy shrines in Iraq cont enjoy highest respect and that said leaders are foremost LRP in support of Iraq gov and Gen Qassim.

Local press claimed Iran troop reinforcements withdraw fm Shatt Al Arab. (see Military) (UNCLASSIFIED)

(CONFIDENTIAL)
FonMin Aram told Amb Feb 3 Iraq had not responded thus far to troop withdrawal. On contrary only Iraqi reaction to troop withdrawal thus far had been vicious radio attack on Shah.

Since FonMin persuaded Shah order troop withdrawal he quite concerned over apparent lack Iraqi cooperation. He seems be pinning hopes on efforts Turkish good offices Baghdad.

Comment: While hoped for solution appears made some progress during wk still long way to go. Without some favorable Iraqi response Emb believes it will be diff for Iranians to take further steps. (CONFIDENTIAL)

B. Iran-Soviet

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(UNCLASSIFIED)

Radio Moscow referred recent student demonstration accusing regime firing on students with American guns same as during Brick Kiln strike. Said govt jails critics and imprisons workers.

Cladestine Station (NVI) alleged crises Eqbal cab due worsening economic sit, noted refusal govt permit Pilgrimages holy shrines in Iraq. Quoted Lippmann's art effect present regime doomed and Iran mil only useful maintain internal scety. Quoted police Ch Moqadam on atomic warfare alleging foreigners preparing Iran base for atomic warfare which will destroy Iran. Said 1339 budget increased expenditures royal court, Savak and govt propaganda sys. Called on listeners three times dur wk overthrow regime.

PM Eqbal said his govt attaches no importance FGV propaganda and has no fear its activities. Added propaganda has had no effect or influence. (UNCLASSIFIED)

(CONFIDENTIAL) Emb informed that NVI supposedly operating fm mobile railway wagon vic yerean in Armenian USSR adding difficulties Iran gov pinpoint station. Comment: Nothing new added. Emb believes Eqbal's eval essentially correct.

C. Iran-Afghanistan

FonMin Aram told Amb PriMin Daud accepted invitation visit Iran sometime after March 10. (CONFIDENTIAL)

Comment: FonMin known be hopeful Iran gov can dev new or more flexible posit on Helmand dispute. Emb not yet aware form this will take. (CONFIDENTIAL)

D. Iran-Cuba

(CONFIDENTIAL) Cuban Amb designate India, Engenio Soler Alonso, paid 4-day visit Tehran during which he talked with FonMin Aram, other govt officials. Reportedly asked Iran participate this year's Havana Economic Conference, stated Cuba's desire exchange diplomatic reps, possibility barter exchange Cuban sugar at bargain prices. FonMin reportedly noncommittal about conference but willing give friendly consideration diplomatic and trade ties.

Comment: FonMin had earlier asked Emb for background info on conference and so made aware US objections to conference's aims Iran unlikely attend conference but offer to

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estb diplomatic ties and expand commercial relations may be realized. (CONFIDENTIAL)

E. Internal

(1) GOI 1339 Budget

(UNCLASSIFIED) GOI 1339 Budget bill introduced Majlis 31 Jan shows following figures (in million rials, paren figures in percent increase over 1338): Gen Revue, including 1338 carryover, 34,311 (18.0); expenditure fm Gen Revue 35,314 (16.7); deficit 903. Largest single item increase are for military, education, health and social welfare purposes.

Comment: (CONFIDENTIAL) GOI contribution MinWar increased shortly before Majlis per centation to \$19.2 million more than in 1338, which is about same as apparent GOI expectation U.S. 1339 budgetary support. Total 1339 mil budget would be \$148 million or 7.8 percent above 1338. Budget in gen appears inflationary.

(2) Cabinet Changes

(OFFICIAL USE ONLY) Reza Ansari appointed MinLabor Jan 31 and Hasan Ali Mansur shifted fm MinLabor to MinCommerce. Rumors cont that EdMin Mahmud Mehran may be forced to resign in next reshuffle. (OFFICIAL USE ONLY)

Comment: (CONFIDENTIAL) Mansur moving ahead rapidly in political career, but must now face major test in attempting solve Iran's serious intl trade problems. Ansari one of govt's brightest young men now entering cab for first time. Both men have strong US ties and add to growing number mins popularly considered to be US "stooges". Continuing survival Eqbal cab despite 13 personnel changes to date appears demonstrate Shah's support Eqbal. It is well known that Eqbal has been trying to sack Mehran for a long time. Following recent student demonstration, added to known dissatisfaction among personnel in Educ Ministry, Eqbal's case against Mehran reinforced. (CONFIDENTIAL)

(3) Request for wheat under PL 480

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(LIMITED OFL USE) Limited govt wheat supplies coupled with hoarding by landowners and merchants due unfavorable wheat prospects for 1960 crop causing considerable govt concern. Some production losses also anticipated result land reform program reacting to deteriorating outlook, GOI has placed orders for imm importation Australian wheat and has requested substantial wheat quantities fm US under PLP 480.

Comment: Govt worried political consequences rising prices and wishes increase its wheat holdings by imports. This in turn might shake loose some hoarded wheat. (LIMITED OFFICIAL USE)

(4) IranAir-Transocean Airways impasse continues

(UNCLASSIFIED) The impasse in the Iran-Air-Transocean airways dispute has now entered its second wk with airline operations still greatly restricted. However, the number of American pilots who are prepared to start flying for IranAir has increased.

Comment: (OFFICIAL USE ONLY) It is too early to predict the outcome of the efforts that are being made to resolve the dispute. (OFL USE ONLY)

(5) Shah's comments

(UNCLASSIFIED) In remarks to committee preparing for next year's celebration 2,500th anniversary Iranian Monarchy, Shah said few nations in world could observe such date. Occasion would make people aware of virtues which have permitted Iran's long existence would acquaint world with unprecedented growth modern Iran. (UNCLASSED)

Comment: (OFFICIAL USE ONLY) Shah preparing make celebrations something world will sit up and notice, plus pushing its obvious internal advantages to his own regime. (OFFICIAL USE ONLY)

(6) Bakhtiar visiting Qatar

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(UNCLASSIFIED) Gen Baktiar, Savak Chief, departed Khorramshahr Jan 30 for Qatar where he will be guest of Sheikm. (see Navy) (UNCLASSIFIED)

Comment: (OFFICIAL USE ONLY) Return of compliments as Iran continues woo Gulf Sheikdoms. (WEEKA 2) (OFFICIAL USE ONLY).

2. Psychological

A. Press and Radio

(1) Iran-Iraq

(UNCLASSIFIED) Keyhan, Etelaat, and sev smaller papers say Iran-Iraq tensions easing, with reported withdrawal of Iranian troops fm border, Sedayah Mardom complains that mediation by others means Iran unable to manage own fgn affairs. Vazin says friendly relations impossible while Iraq under Communist influence.

Comment: None. (UNCLASSIFIED)

(2) Iran-USSR

(UNCLASSIFIED) Etelaat reacts to radio Moscow allegations of bloodshed in last month's student demonstration; says no one deceived by false propaganda, Sovs meddling in independence, liberty of others.

Comment: None (UNCLASSIFIED)

(3) US Press

(UNCLASSIFIED) Two Etelaat editorials cont to criticize US press for failing to appreciate Iran's progress and for being misled by "dissatisfied" individuals. Farman predicts new Amb to Wash Zahedi will begin extensive publicity program.

Comment: Criticism of US press appears to be dying out. (UNCLASS)

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(4) Two magazines suppressed

(UNCLASSIFIED) Weekly Ferdowsi suppressed for satiric art criticizing govt health facilities as well as "phony philanthropists" who send patients aboard. Etelaat youth magazine under temporary ban for printing allegedly pornographic materials. (UNCLASSIFIED)

Comment: (OFFICIAL USE ONLY) Ridicule of Ministers not allowed. "Secret" committee set up in PM's office to curb increase of obscene materials in weekly press. (OFFICIAL USE ONLY)

3. Military

A. Army

(1) Troop movements. (SECRET) Upon direction fm Tehran, beginning 30 Jan, elements of units previously deployed along border Khorramshahr area began reassembly and concentration Khorramshahr and Ahwaz. Elements 9th Inf Div deployed Musian-Bostan areas closed Apwaz 3 Feb. Units remain 48-hour alert status and have been directed to prepare for eventual movement to home stations upon orders from Tehran. No rpt no indication timing such return but may occur near future. Some speculation that units previously employed from other locations Iran may be retained Ahwaz area pending resolution entire problem. Sit Shatt area quit (JNT ATTACHE Msg 7). (SECRET)

Comment: (CONFIDENTIAL) With movement out of border areas and concentration central points, Iran has taken initial steps reduce pressure and open door diplomatic negotiations. Now awaits Iraqi reaction. (CONFIDENTIAL)

(2) Attache field trip

(CONFIDENTIAL) Two asst ARMAs completed 20-day field trip covering Southeastern Iran (Sistan-Baluchistan). Units visited included 6th Inf Brig (minus 1 Bn), Kerman; 3rd Inf Bn (6th Inf Brig), Zamedan; 162nd Cav Bn, Zabol; 163rd Cav Bn, Khash. None these units MAP supported. All have serious shortages officers, materiel, facilities and equipment. Morale Cav Bns low following 4-month period

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relocation movement to present stations. 6th Inf Brig anticipates move later this yr to Shahrud area in Northeast. (CONFIDENTIAL)

Comment: (CONFIDENTIAL) Units appear trying to do best they can under extremely adverse conditions and circumstances. (CONFIDENTIAL)

B. Navy

(1) Iran Naval visit

(CONFIDENTIAL) IIS Babr plus 2 PC escorts departed Khorramshahr 30 Jan Persian Gulf cruise. Gen Temur Bakhtiar (head Savak) also embarked. Plan visit to gulf Sheikdoms. (ALUSNA 070745Z).

Comment: If senior officials such as Prince Gholam Reza, Gen Bakhtia continue riding IIN ships they may insist that IIN improve in cleanliness, readiness, etc. also these officials may press Shah for larger vessels (such as DD) for reasons prestige. (CONFIDENTIAL)

C. Air

Negative.

ACTION: ACS I

INFO: DCSOP, OSA, JIG, OSD, AF, NAVY, STATE

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SGD WAILES

1. Political.

A. Iran-U.S.

(1) Ambassador's talk with Shah (see EmbTel 177)
In talk with Ambassador February 10 Shah dis-
cussed following subjects of economic nature:

(A) PL-480 wheat: Shah extremely worried
that Iran in for bad agricultural year. Hopes reply to Iran
Gov request for PL-480 wheat will be favorable. Also would
like considerable inclusion other products. Though interested
in local currency loan for economic dev realized from real
payment of wheat, this not primary incentive in view poor
agricultural prospects.

(B) Budget: Shah stated that new budget
will not have inflationary effect. Pointed out budget in-
creases to be made up through greater efficiency collection
taxes.

(C) Land reform: Shah said program coming
under attack in last few days from Mollahs who take position
that bill against Koran. Shah believes campaign caused by
certain rich landowners passing bribes to clergy.

(D) USOM/I assistance to medium-cost
housing: Shah appreciates our position that it is necessary
to ensure sound program and wait until all preliminaries are
provided for properly. Intimated, however, he would still
keep "the heat" in Amuzegar. (CONFIDENTIAL) Comment: None.

(2) "Anti-Iran campaign" continues cause con-
cern during Ambassador's call on FonMin Aram Feb 10, latter
resumed complaints about unfavorable articles in US press

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concerning Iran. (WEEKA 4). Also stated that Shah deeply hurt by Newsweek, particularly because no denial issued. (CONFIDENTIAL)

Comment: Shah continues be depressed and upset by what he considers to be organized anti-Iran campaign in US press. (CONFIDENTIAL)

(3) Zahedi Mission to US.

Embassy Staff reportedly chosen by Zahedi this week. No formal announcement yet but newspapers continue give big play Zahedi briefings going on in FonMin and hopes for Zahedi success Washington, emphasizing intention improve public relations. (OUO)

Comment: Staff to be made up of relatively young men, said to be personally friendly and loyal to Zahedi despite favorable press coverage, continued criticism Zahedi appointment being heard. (WEEKA 4) (OUO)

B. Iran-Iraq

Press continues criticize internal developments Iraq same time expressing optimism prospect improved Iran-Iraq relations. Speculation centers exchange of Ambassadors and choice candidate replace Ardalan, whose return Baghdad regarded unlikely. (UNCLASS)

CONFIDENTIAL. Mil source informed Emb reinforcement units deployed along borders Shatt Al Ajdb area NMU concentrated Khorramshahr and Ahwaz; and that Shah will eventually hold parade review these troops prior their rtn to original permanent stations. Shah scheduled visit Khuzestan end of February.

Responding remark that troop withdrawal should improve situation, Shah told Amb Wailes it not clear from tone of Baghdad radio whether Iranian move helpful or not. (CONFIDENTIAL)

Comment: Apparently Iranian Mil staff holding up complete pull-out troops Khuzestan depending upon further progress: (1) Toning down Baghdad radio which has been particularly virulent according Shah and other Iranians and (2) Reassignment Iraq Amb to Teheran. Iran Gov hopes Turks making progress on these points (WEEKA 4 and 5) (CONFIDENTIAL)

C. Iran-Soviet

(1) Propaganda

During week radio Moscow said Shah very uneasy about adverse comment about Iran in US press. Radio quoted several papers saying Americans in Iran contacting opposition to supplant Shah. Added Americans do not support Iranian

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Nationalists but want impose military and economic dominance in order use Iran military base against Sovs and other peace-loving countries MidEast. Also quoted Lippmann's article at length.

Clandestine station (NVI) said actions new young ministers were against welfare of people; cited rising cost living, police state methods; said Shah knows his days numbered and has to deposit money in Switzerland. Said land reform not being seriously pushed by gov, adding new national gov should be installed carry out land reform program. Radio Teheran answered accusing Lippmann pay Sovs ND quoted report from US involving press bribes, implying other American correspondents engaged in Sov sponsored payola operation against Iran. (CONF)

Comment: Fact that Sovs have found Iranian weak spot in form US press criticism adds to Iran Gov concern. Apparently Sovs like what Lippmann said about Iran's assuming neutral position. Sov charge has queried Austrian Min about prospects Iranian neutralist policy. Sovs seem confused too about US press as shown by attempt counteract what they interpret as US attempt to gain foothold among nationalists. (CONFIDENTIAL)

(2) General

Keyhan headlined story: (1) Iran Amb Moscow Masud-Ansari holding talks with Sov in attempt resolve outstanding issues, (2) Sov Amb Pegov likely rtn Iran soon from USSR with new proposals. Other stories prevalent press that disillusioned Pegov likely not rtn Iran.

Shah and FonMin denied points (1) and (2). Shah added he had wired Masud-Ansari report any conversations. (CONFIDENTIAL)

Comment: No change in Iran-Sov impasse. (CONF)
D, Internal

(1) Crop outlook deteriorates

Drought conditions continue throughout most of Iran, contributing to growing pessimism about crop outlook. Bakhtiari tribes reportedly moved from winter grazing area 20 days sooner than normal because of lack of feed. Poor winter range conditions also reported in the Moghan Plains of Azerbaijan. (UNCLASSIFIED).

Comment: (See Shah's comment above).

(2) Iranair dispute continues

Iranair-Transocean Airways dispute has entered third week. Utilizing eight American pilots, Iranair has been

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able to maintain about one-third of its scheduled domestic flights. (OFFICIAL USE ONLY)

Comment: Efforts resolve dispute continue. (OUO)

2. Psychological.

A. Press and Radio

(1) Arft-American article

Popular magazine Teheran Mossavar charges Ger-aid Dooher, member US Embassy Iran ten years ago, conducting anti-Iranian activities in Washington and paid agent of ex-iled Qashgai tribal leader. Lengthy, mostly erroneous back-grounder alleges Dooher manipulated appointment late PM Razmara and despite Iranian protests was retained by former US Amb Wiley. Article reprints alleged Dooher statements in book "Activities" in Iran politics. Dooher and Wiley said to use Islamic Center Washington for similar "activities", including anti-Iran press articles. (UNCLASS)

Comment: Story apparently intended to be another "answer" to American press criticism Iran, which still draws occasional mention. Lightweight magazines, including Teheran Mossavar, generally not considered serious, but flamboyant tale of US intrigue may have effect on impressionable public. (OFFICIAL USE ONLY)

(2) Iranian budget (see Political)

Keyhan sharply attacks gov for proposing and Majlis for supporting record budget; criticized press and public for apathy. Editorial series calls on Parliament to give budget thorough overhaul; charges members more interested in building "prestige" chambers than in public welfare. Ete-laât takes milder approach, notes budget submitted well in advance end of Iranian year, but complains detailed estimates not given. Ete-laât suggests elimination luxury spending, favors higher teachers' pay and screening of gov payroll to eliminate sinecures. Several smaller papers echo Keyhan warnings about inflation. Teheran economist terms budget "dangerous", calls for redraft. (UNCLASSIFIED)

Comment: Keyhan usually takes more independent position than most papers but rest of press not yet ready to tangle with gov on issues economic policy. (OUO)

(3) Iran-Sov

Jahan calls on FonMin to stop Sov Embassy circulation of propaganda books in view of Radio Moscow attacks on Iran. Farman and several other small papers say an end to Sov cold war against Iran still awaited. Ete-laât was among

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several papers using anniversary of Tudeh assassination attempt on Shah as occasion to condemn communists and laud Shah. (UNCLASSIFIED)

Comment: None.

(4) Iran radio

Etelaat quotes chief of Iran Gov radio as saying 100 kw foreign propaganda stations to be set up in Ahwaz (for Arabic), Zahedan (for Far East broadcasts) and Kermanshah (for Kurdish). Ahwaz to be installed by mid-March, installation dates other stations undetermined. (UNCLASSIFIED)

Comment: Iran Gov now completing strengthened internal radio service with 14 stations installed, sees need for strengthened radio access to neighboring countries. (UNCLASSIFIED)

3. Military

A. Army

(1) Troop situation Khuzestan.

During past week there has been no rpt no change in troop disposition Khorramshahr-Ahwaz areas (WEEK 5). Iranian staff reportedly awaiting instructions from Shah for anticipated further redeployment reinforcing troops back to home garrisons (see Political). Situation Shatt area quiet. (CONFIDENTIAL)

Comment: Tension appears considerably eased during recent period. (CONFIDENTIAL)

(2) Obsolete weapons disposition.

During past two weeks over Westergaard, Denmark, has been inspecting various armament production facilities Teheran including munitions leading plant; and proposed barter agreement for sale to Westergaard 33,000 old rifles and 4,000 pistols various makes. Money realized from sale (approximately 90,000 dollars) to be reserved for purchase 29,000 mortar components from Westergaard firm. Proposal now under consideration by Iranian staff. (CONFIDENTIAL)

Comment: Westergaard representing Interarmco in old gun purchase and his own firm in Denmark for sale mortar components. (CONF)

(3) Death General Officer.

Maj Gen Hassan Farahati, ailing and jobless during past year, died 4 Feb in Teheran Hospital. Cause death reportedly cancer. (OFFICIAL USE ONLY)

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Comment: None

B. Navy
Negative
C. Air
Negative

ACTION: ACSI

INFO : DCSOP, OSA, JIG, OSD, AF, NAVY, STATE

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SGD WAILES

1. Political

A. Iran-Soviet

(1) Propaganda

Radio Moscow continued attack on Iran making
slandorous remarks about Shah. Quoted Pravda article Feb
13 which sums up all phases year-old Soviet propaganda
attack Iran. Clandestine radio (NVI) concentrated on crit-
icism operations "Quickspan"; allegations Americans using
Iran as base against USSR; and that Tehran Mayor Zolfagari
is one largest landlord oppressor who was installed to
control elections. Both radios quote American press articles
about Iran. (UNCLASS)

Sovs aware quoting US press especially goad-
ing to Shah.

Comment: Sustained Moscow campaign may mean Sovs
still trying compel some sort of reorientation Iran's foreign
policy. Further strong attacks on Shah may be expected.
(CONFIDENTIAL)

(2) General

(A) FonMin Aram told Amb Wailes (see
EmbTel 1845) that telegram from Iran Amb Moscow Masud-Ansari
indicated Soviets current position:

(1) US-Iran bilateral specific violation article 3 treaty
1927;

(2) Proposals which Soviets have been making to Iran over
recent months do not infringe on Iran's sovereignty and are
least Soviet Union could expect from friendly neighbor;

(3) If these proposals are agreed to, relations will return
to normal;

(4) As long as Iran endeavors strengthen military aspects
CENTO Soviet cannot be friendly. Ansari states Sov

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reportedly seriously ill and probably will not return for some time. (CONFIDENTIAL)

Comment: Sovs still trying woo Iran away from Western ties. (CONFIDENTIAL)

(3) Sov Military Attache remarks

Sov Military Attache Kuzmenko told Emb Assistant Army Attache Pegov return Iran delayed due illness. Scheduled arrive shortly. Commented Sov-Iran relations would not improve as long as Soviet prestige at stake. Opined Shah waiting outcome summit meeting and Eisenhower's visit Moscow to determine future policy. Remarked if Sovs and US agree major world issues both countries could compete economically in underdeveloped areas. Concluded Iran then might take another tack possibly coming closer USSR for economic reasons or adopt naturalist position like India. (SECRET)

Comment: Sov Attache's remarks about prestige element seems to US key to impasse Iran-Sov relations. Remainder comment reflect present party line. (SECRET)

B. Iran-Iraq

According Iraqi charge Iran Gov confiscated Iraq Emb news bulletin (see EmbTel 1829) Feb 16. Charge Haddawi's protest apparently ended with heated exchange at FonMin. Commenting on possible exchange new Amb's Iraqi MilAtt Col Abdullatif said Iraqi Amb Jamil resigned post on personal grounds, whereas Amb Ardalan withdrawn from Baghdad on orders Iran Gov. Accordingly, Iran must make next move.

Keyhan international Feb 17 report claims radio Baghdad officially requested Iran Gov end radio, and propaganda attacks (see EmbTel 1846) speculated both countries soon be represented by Amb's, again with Ardalan returning Baghdad. (See psychological). FonMin official and Iraqi charge inclined disbelieve report yesterday. Latter indicated hope something would be accomplished soon, while former insistent next step must be cessation radio Baghdad attacks. Meanwhile FonMin told Amb he increasingly worried as Iraq's taking no corrective action. Indicated Shah restless about situation and may decide redeploy troops along Shatt unless responsive action forthcoming from Baghdad. (CONFIDENTIAL)

February 18 press carries report of Feb 14 interview with Shah by Pakistani correspondent. Quotes Shah saying "there is nothing prevent Qassem from visiting Iran to hold direct talks on Shatt-Al-Arab dispute". Adds

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"we are quite prepared hold such direct discussions".
Reiterates, however, previous and present Iraqi regimes failed respect 1937 treaty and concluded "there must be mysterious reason for Iraq not respecting its obligations".
Affirmed patience in differences with Iraq but declared no talks presently being held solve these differences.
(UNCLASSIFIED)

Comment: Emb notes FBIS review ME broadcasts Feb 15 contained summary Baghdad Persian language broadcast strongly attacking Shah's rule, said spirit of Mossadeq not dead and called on Iranian Army follow Iraqi example. Reviews Feb 16-17 silent on Iran. (UNCLASSIFIED)

Shah's statement to Pak correspondent, apparently off the cuff, not considered serious invitation to Qassim to discuss Iran-Iraq problems.

C. Iran-Pakistan

Shah, Queen scheduled visit Pakistan February 20-27 visit will include usual formalities and entertainment, talks among Shah, Ayub Khan, Turkish President Bayar. Akhtar Hussein, new Pakistan Ambassador to Iran, presented credentials to Shah Feb 15 and read unusually glowing speech about Pakistans high regard for him and close ties between two countries, saying Pakistan closer to Iran than any other country. (UNCLASSIFIED)

Comment: Shah-Ayub-Bayar talks expected to be mostly on CENTO affairs, Iraqi developments. Cooperation among Moslem members CENTO continues to grow. Friendship among the three regularly commented on by Shah. (OFFICIAL USE ONLY)

D. Iran-Persian Gulf

General Teimur Bakhtiar Savak announced in rare press conference that his recent visit to Qatar was complete success and was example growing friendship understanding between Iran and Sheikdoms. (UNCLASSIFIED)

Comment: Conferences achieved double purpose of keeping both Bakhtiar and Sheikdoms before Iranian public. (OFFICIAL USE ONLY)

E. Hungarian Legation rapped

On Feb 5 Hungarian Legation issued statement attacking Britain and US for recent BBC Broadcasts and US press reports picked up by Iranian newspapers about alleged execution 150 teenage Hungarian freedom fighters; accused UK and US intriguing against Hungary in Iran. Following day Iran FonMin confiscated copies statement basis counterintervention

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Iranian decree 1949 forbidding foreign governments criticize third countries having missions in Iran. Warned legation if incident repeated would result banning bulletin. (UNCLASSIFIED)

Comment: FonOff showed again how it strives maintain impartiality re differences between various foreign missions in Iran. Has used decree before in similar cases: India-Pakistan, Pakistan-Afghanistan, US-Soviet. (OFFICIAL USE ONLY)

F. Iran-Brazil

Celso Raul Garcia presented credentials Feb 15 as new Brazilian Minister. (UNCLASSIFIED)

Comment: None

G. Internal

(1) Shah's interview with Pakistan reporter.
Feb 15 Shah gave interview Pakistan reporter. Discussed Iran-Iraq relations; (see above) urged formation Moslem EUE; said communism has influence in Mid East and can only be eradicated by raising standard living in area and by countering false communist propaganda. Creation of Moslem bloc would also help; Stated Iran-Pakistan very close and expressed hope visa system between them would soon be discontinued; indicated Kashmir problem should be solved through referendum; discussed land reform in Iran; closed with definition of democracy which must be suitable to special characteristics of under-developed countries. (UNCLASSIFIED)

Comment: Shah's ability cover wide area subjects in such statesman-like pronouncements usually impressive make good reading. (OFFICIAL USE ONLY)

(2) Shah's schedule

On return from Pakistan (see above) Shah Queen scheduled for visit to Khuzestan Feb 27-March 9. Activities to be centered on inspection of development project a well a well a* of military garrison and troops this area. (CONFIDENTIAL)

Comment: During this period Iran-Iraq troubles, Shah demonstrating his interest in the Arab-populated areas of Southwest Iran with unusually long provincial visit.

Reportedly Shah wants see for himself what future disposition Iranian troops should be. (See EmbTel 1828) (CONFIDENTIAL)

(3) Land reform bill

Majlis special committee completed work on land reform bill Feb 15 and transmitted it to Majlis for first reading. Most notable changes reportedly involve

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definition of farmers and tenants, amounts of fines if law is contravened. Alteration of various time limits, and abolishment of special land reform committee. All changes will be officially announced when bill actually placed on agenda later this week. Interesting note Qashqai lands also placed within purview of bill. (UNCLASSIFIED)

Comment: Despite opposition most committee members to bill, changes appear not very substantial. Majlis expected do much talking but little changing of bill as presented. Qashqai development considered smart move and tends counter charge that government making special case against Qashqai family. (CONFIDENTIAL)

(4) Majlis committee adds new budget outlays
Majlis budget committee winding up consideration 1339 budget has already added new expenditure items including 100 million rial new appropriation for Majlis building and 200 rials monthly pay increase for all college graduates in government service, excluding military. Budget expected to be reported out 23-25 Feb. (CONFIDENTIAL)

Comment: Beneficiaries new pay increase estimated 14,500 which would make annual cost 335 million rials (\$4.5 million budget already contained appropriation 650 million rials to raise minimum pay all govt employees. (CONFIDENTIAL)

(5) IranAir impasse continues
With no break in the IranAir-Transocean dispute, IranAir continues to operate about one-third its normally scheduled domestic flights. (OFFICIAL USE ONLY)

Comment: While existing IranAir staff doing its best under circumstances to service the DC-3s and DC-4s which are being operated, apparent IranAir flights are growing increasingly dangerous. (OFFICIAL USE ONLY)

(6) National OIP Company forward planning
National Iranian Oil Company has joined other agencies of government with announcement of five year program. Include ambitions to build petro-chemical industry and to participate in world marketing of crude, where now frustrated. Most immediate significance and partiality is project bring natural gas to Tehran perhaps using some private capital. (OFFICIAL USE ONLY)

Comment: Purpose and timing of announcement not clear but helpful have at least this generalized statement NIOC aspirations. (OFFICIAL USE ONLY)

(7) Further deterioration in crop outlook
(WEEKA 6)

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Drought conditions reported earlier continuing throughout much of country. No recent reports of substantial precipitation and concern is mounting over crop projects. (UNCLASSIFIED)

Comment: None

(8) Additional locust infestation

A new locust infestation of approximately 30,000 hectares reported in the Kermun area. Infestation believed to have come from Saudi Arabia. Approximately 70,000 hectares has been infested several weeks ago in Baluchistan and Kerman. (UNCLASS)

Comment: Infestation to date not particularly serious but some reason for concern lest latest locust movement be harbinger of continuing infestation from Saudi Arabia. (UNCLASSIFIED)

2. Psychological

A. Press and radio

(1) USAF "Quickspan"

USAF "Quickspan" air show well received, taken as demonstration US support for CENTO. IIAF official estimated crowds at 50,000. Shah enthusiastically greeted as he toured ground display. Etelaat said "Quickspan" indicative of steps taken to strengthen Air Forces CENTO members' but added typical comment 'rumors rampant again US will equip IIAF with large number modern jets'. (UNCLASSIFIED)

Comment: None

(2) French A-bomb

Keyhan gave Banner headline treatment African, Asian protests against French test explosion. Etelaat says France not to be blamed since other powers have made many tests, adds test militarily insignificant but boosts French prestige. (UNCLASSIFIED)

Comment: Iranian press usually indifferent to implications of developments remote from own immediate interests. (UNCLASSIFIED)

(3) Iran-USSC

Etelaat and Keyhan publish on alternate days texts of radio Iran replies to radio Moscow propaganda, at request of radio Iran director. Commentaries intended to refute radio Moscow attacks on IranGov and development progress, usually take calm, factual tone. (UNCLASSIFIED)

Comment: Commentaries not likely to interest Tehran public, bored with subject. (OFFICIAL USE ONLY)

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(4) Iran-Iraq

Keyhan report that radio Baghdad has dropped attacks on Iran denied by director radio Iran, who says tone radio Baghdad unchanged. Etelaat says friendly govs seeking to ease situation, bring about exchange Iran-Iraq Ambs. Etelaat deplores continuing communist influence Iraq. Farman says number of Iraqis fleeing to Iran increases daily. (UNCLASSIFIED)

Comment: None

3. Military

A. Army

(1) Reorganization status

Some progress realized to date in staff and command reorganization initiated several months ago (R-850-59). Following accomplished to date: Chief Logistics (2nd Dep SCS) appointed; J-5 (Comptroller) established at SCS level and G-5's, AG and personnel sections within service forces; some officers designated to 1st Field Army Staff and presently undergoing special training Tehran; all mil schools now under ground forces incl staff college; several technical depts shifted, plus other minor changes. Still to be done: Reorganization J-1 and J-4 staffs; establishment organization T/D's for these and new service forces staffs; tying up loose ends. Gen Hedayat insisting that SCS must retain some form personnel and AG orgn to handle senior officers assigned SCS level positions. (CONFIDENTIAL)

Comment: Progress slow. Considerable bickering continues as senior officers affected by agency transfers resist changes which will wither leave them jobless or will result loss personal prestige. Too early predict how personnel and AG functions as finally implemented will work out within services. Decentralization such activity militarily sound. (CONFIDENTIAL)

(2) New mil uniforms

Special commission has been meeting past few months for purpose preparing recommendations adoption new military uniforms and certain type insignia. Past week press published several statements about forthcoming changes. J-2, SCS denied press reports as speculation and stated commission still active and its recommendations not yet finalized. (CONFIDENTIAL)

Comment: Army has been studying proposals for new uniforms for past year as one means helping improve

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overall appearance and resultant morale officers and men. Indications are new uniform may follow American cut and design. Final adoption any new uniform still distant and dependent upon availability funds and procurement necessary materials. (CONFIDENTIAL)

B. Navy: Negative.

C. Air

(1) Operation Quickspan

CENTO exercise involving 25 USAF aircraft arrived Tehran 12 Feb 1960. Static and air demonstrations were performed before him the Shah and a crowd estimated at over 50,000. Force departed 15 Feb for Karachi. Arrived 18 Feb Tehran again for refueling enroute Adana. (UNCLASSIFIED)

Comment: Mission highly successful despite bad weather conditions and elimination some more spectacular air demonstrations. Very favorable comments received from all quarters. (UNCLASSIFIED)

NOTE: *As received.

ACTION: ACSI

INFO: DCSOP, OSA, JIG, OSD, AF, NAVY, STATE.

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JOINT WEEKA 11

MAR 60

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SGD WAJLES
1. Political

A. Iran-Afghanistan

Afghan PM Daud arrives Tehran Mar 17 three-day visit as guest Iran Gov. FonMin Aram told Emb he understands Daud bringing new proposal re Helmand Waters and is accompanied by experts this matter. Aram pleased and hopeful proposal will be acceptable, though uncertain about likelihood this. Aram stated Shah recently said Iran unable accept less than 36 CU-M/Sec. But Aram personally felt compromise between 30-36 might be possible. Emb reiterated USG willingness consider assistance both countries in surveying development needs lower Helmand and subsequently examining possibility furthering projects indicated as desirable, provided both parties first reach at least provisional agreement. (SECRET)

Comment: Assuming new proposal is attractive and represents fair compromise Emb feels presentation Afghan Demarche would probably receive receptive consideration from Iranians who are anxious solve this long-standing problem. (CONFIDENTIAL)

B. Iran-Iraq.

Emb informed Iran Gov has granted agreement for new Iraqi Amb, Abd Al-Mutalib Amin. Mutassarif (Gov General) of Sulaimaniya. According latest indication from FonMin Aram, Iran Gov will replace Amb Ardalan rather than return him Baghdad.

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Correction made
by RM/R

a 9/9/60 (17 MAR 60)

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PAGE 2

Iranians continue propaganda exchange. Latest example being exploitation of Mazar Al-Samarrai, minor Iraq Gov official who crossed into Iran from Khanaqin, seeking political refuge. Samarrai's account of conditions in Iraq broadcast in Arabic and Persian over radio Iran and featured later in press. Interview emphasized tyranny of Govt, economic difficulties, and anti-regime feeling. Samarrai under Savak (security) control pending departure for UAR to join brother, Faiq Al-Samarrai, political refugee and former Iraqi Amb at Cairo. (CONFIDENTIAL)

Comment: Increase propaganda including pointed use Iraqi national on radio emphasizes fact that although agreement on exchange of Ambassadors appears be step forward, nevertheless mutual distrust remains publicly evident. Also may be indicative lack of decision and harmony in formulation and application Iran Gov policy. (CONFIDENTIAL)

C. Iran-CENTO

CENTO Liaison Committee met Tehran March 6-10. Following factors considered detrimental security CENTO area: Communist influence Iraq; Soviet anti-Iran propaganda; anti-CENTO subversion from Iraq; USSR collaboration with Iraq, Afghanistan, UAR; Communist-inspired subversive activities among Kurds. Favorable developments: Contradictions in Soviet attempts to be involved in Iraq, UAR at same time; Nasser's anti-Communist campaign; effect in neighboring states of spectacle confusion, terrorism in Iraq; strong reaction CENTO states against Communist subversive campaigns. Throughout meetings Iran emphasized extreme concern about articles critical of Iran in western press; cited specific articles. Counter-subversion committee now in session; Pak delegate emphasizing concern about comments by Sov Amb in Karachi on Pushtunistan. (SECRET)

Comment: Atmosphere all sessions unusually amiable. Pak delegate now emphasizing *danger Afghan* to almost complete exclusion previous years' emphasis on India. (SECRET)

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PAGE 3

D. Iran-Soviet

(1) Propaganda

Soviet propaganda after two-day lull resumed its vituperative tone against regime and Shah. Radio Moscow said Iran has talked about steel mill for decades and monies appropriated therefor have gone into officials' pockets; Shah and Eqbal under Imperialist influence want Iran remain Feudalistic and not industrialized. Said Shah and servants, General Bakhtiar and Senator Masudi, publisher Etelaat, have reactivated national defense society engaging in anti-Soviet work which only amuses Iranians. Such servant Imperialists receive dollar from masters. NVI clandestine station for most week inaudible because spill-over jamming, presumably by Soviets. March 13 broadcast centered criticism US participation Iran airways. Said US managers had milked airline which is now practically non-operative during busy season causing hardships innocent would-be travelers. (UNCLASSIFIED)

Iranian Comment: First time Sov radios have commented on *** situation and US participation therein. Such intense spill-over jamming also not noticed during previous monitoring periods. (OFFICIAL USE ONLY)

(2) General

During week rumors persisted high Iranian official, including Shah, have intimated to Sov Emb that Iran Gov would be amenable talks with Sovs end small-scale cold war going on between two nations.

Rumors indicate Neutralists like Seyed Zia Tabatabai and Ali Asqar Hekmat still active.

National Defense Society stepped-up activities answer Sov propaganda. Embassy informed NDS through Senator Masudi's Etelaat publications preparing anti-Sov posters. (CONFIDENTIAL)

NOTE: *** Being serviced.

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PAGE 4

Comment: No substantive change Iran-Sov relations during week. Iran Gov seems more confident as evidenced by its tougher attitude toward Sovs. (CONFIDENTIAL)

E. Iran-Norway

After murder charge against three Norwegian sailors in Ahwaz changed to manslaughter, all three found guilty and sentenced to eleven months and fines. (UNCLASSIFIED)

Comment: Light sentence. Norwegian Minister very pleased.

F. Internal

(1) Shah

In cordial talk with Amb, March 14, (see EmbTels 2110, 2111) Shah commented: (A) While does not disagree in principle voters should be permitted choose freely from carefully screened lists, feels it too early and further that it essential present Mellieun Party remain in power for another four years as opposition Mardom Party somewhat disorganized and not sufficiently mature to take over; did not commit himself as to how elections were to be "rigged" but made it clear that would be case; (B) Also discussed recent visit to Pakistan (WEEKA 9) saying talks with Presidents Ayub and Bayar barely concerned military subjects. Discussions primarily about economic problems facing countries. (SECRET) (C) Said he was annoyed by Mullah opposition to land distribution bill (see below and EmbDesp 593) but Ayatollah Borujerdi was innocent old man being used by Tehran clerics who are in pay of unidentified persons. Added several Senators and Deputies will not be reelected because of their part in these intrigues and opposition to bill. Knows present bill has imperfections but important get bill on record enabling Gov start from there. (CONFIDENTIAL)

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During last meeting (March 15) of Iranian Cabinet before Iranian New Year Shah praised success of Government during last year; singled out land reform bill stating "that particular piece legislation by far the top-most achievement of Government for year". Also put stress on need for speedier disposal work in all Government departments and continuance campaign against corruption and dishonesty. Eqbal thanked Shah and attributed all his Government's success to Shah. (UNCLASSIFIED)

Comment: Embassy expects see further signs of what Shah means by two-party elections when campaign begins. No official date for elections announced as yet. Shah's comments to Cabinet and Eqbal's answers point up complete identification of present Government with Shah and prove once more Shah really running show. (CONFIDENTIAL)

(2) Land Reform Bill passed by Majlis

At insistence Shah Majlis passed by overwhelming majority revised Land Reform Bill March 15. Bill sent Senate and expected be approved there in mid-April. Revised bill result Government's attempts meet objections Chief Cleric Ayatollah Borujerdi (see EmbTels 2064, 2147, and WEEKA 10).

Essentially, (A) bill proposes place heavy taxes on all lands in excess maximum holding authorized (EmbDesp 524); (B) not obligatory for landowner sell or transfer excess lands if he can pay required taxes which are well above annual income per acreage; (C) if landowner decides sell or transfer excess lands at current "fair" market price, must still pay Government 50 percent of transaction as "land development dues". Latter stipulation effective from date submission of bill to Majlis; (D) in cases fraud heavy punishment up to life imprisonment. (CONFIDENTIAL)

Comment: Sources agree bill represents victory for Shah and Eqbal Government while at same time meeting technical objections of Qleagy whose position enhanced. Some say bill watered down while others claim bill much stronger; All will depend on degree of implementation but few optimistic about this. Attempt from landowners to benefit from and use religious opposition appears to have backfired. (CONFIDENTIAL)

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(3) No Ruz holidays

Iranian New Year's holidays began March 17. Despite several unfavorable signs for coming New Year, e.g. drought, mounting prices which contribute political discontent, most Iranians seem prepared to forget all. Everything shut down until March 27, including newspapers. Huge crowds expected Shiraz, Abadan, Isfahan and Meshad. Last city because of coincidence again this year of Ramazan and Ali Martyrdom date. Queen's pregnancy may be formally announced during royal broadcast March 21. (See WEEK 9). (OFFICIAL USE ONLY)

Comment: None

(4) IranAir dispute

With No Ruz holidays in immediate offing, IranAir flight operations continue to be restricted due to inability to resolve management dispute with Transocean Airway. (UNCLASSIFIED)

Comment: Position of TOA has been weakened by announcement from its California headquarters that company had ceased operations. (UNCLASSIFIED)

(5) Civil aviation negotiations

Embassy has been informed that Iran will begin Civil Aviation negotiations with UK shortly after No Ruz holidays. Negotiations have been under way for some time with France, India and Lebanon, Iranian Aviation authorities anticipate that agreements will be concluded in near future. (OFFICIAL USE ONLY)

Comment: None

(6) Iran to hire Israeli technicians.

An Iranian official is now visiting Israel to obtain assistance Israeli mining technicians in extraction of potassium salts from Lake Rezaieh. (OFFICIAL USE ONLY)

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Comment: Although not secret, Iran not advertising this arrangement which undoubtedly would further antagonize Arab states. (OFFICIAL USE ONLY) (See WEEKA 10)

(7) Crop outlook and meat prices.

Snows and rain in Northern and Central Iran last week improved prospects late grain crops but moisture carry-over still far below normal. Meanwhile Black Market sales meat developed in Tehran at prices above Gov fixed levels. Profiteering rather than actual shortage blamed and Parliamentary consideration proposed. (UNCLASSIFIED)

Comment: Embassy believes situation attributable relative shortage supplies and any control measures will be ineffectual. (OFFICIAL USE ONLY)

2. Psychological

A. Press and Radio

(1) Land Reform

Land reform legislation continues draw frequent support in smaller papers. Irane Ma Deasl with rumors that "highly placed clergyman" opposes bill and calls on two political parties to publicly endorse measure. Asiaye Democrat refutes idea bill is contrary to Islamic precepts on land ownership. Arezou claims editor was threatened for alleged attack on Islam, adds, "to oppose bill is to oppose nation, Government, monarchy and religion". (UNCLASSIFIED)

Comment: Gov probably continuing stimulate comment as indirect means of pressure on Parliament and religious leaders. (LIMITED OFFICIAL USE)

(2) Iran-Iraq

Keyhan publishes full translation radio Iran interview with Mudhir Al Samarra, refugee brother of former Iraqi Amb to UAR, which condemns Qassim regime and

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PAGE 8

Communist influence in Iraq. DAD among several papers commenting, says Liberal elements of world must help save Iraq from chaos. Keyhan among several noting appointment Iraqi Amb to Iran. (UNCLASSIFIED)

Comment: See Political.

(3) Iran-USSR

Etelaat. Keyhan continue publish radio Iran replies to radio Moscow which cite Sov sources on corruption, poor housing, low wages for teachers. Sedaye Mardom says radio Moscow helps Iranian reactionaries because Liberals unwilling voice criticisms which Moscow would quote against Iran. Dyhan prints slogans of national defense society; Sample: "Noble Iranian people are alert to Russian objectives and are united in defense of religion, nationality, independence". (UNCLASSIFIED)

Comment: None

(4) Iran-Afghanistan

Etelaat hopes forthcoming visit of Afghan PM will strengthen relations, praises Afghan royal family. Keyhan says he will be visiting "second homeland". Melliyn hopes for solution to Helmand dispute. Afghan charge quoted by Peigham Emruz as saying Helmand issue almost solved, problem technical not policy dispute. Charge also defends neutrality, denies Sov influence. (UNCLASSIFIED)

Comment: None

(5) Pioneer rocket launching

Kghan publisher hails pioneer launching; says he does not like to see Sovs get ahead because of its constant radio attacks on Iran; adds if Sovs achieved scientific supremacy, they would use power to impose will on others (UNCLASSIFIED)

Comment: Usual parochial reaction to major events abroad. (OFFICIAL USE ONLY)

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(6) Iranian information expansion

Etelaat carries report of Director, Department Publication and Broadcasting, that radio Iran will go on 24-hour-a-day schedule, 100 KW short-wave transmitter to be installed for broadcasts to Europe, three 100 KW transmitters to be installed in the Provinces. Fifteen Iranian information centers to be established abroad. (UNCLASSIFIED)

Comment: None.

3. Military

A. Army

(1) Early release conscriptees

Shah announced early release approx 21,000 conscripts due release about 1 May 60 to enable them spend No Ruz at home. (OFFICIAL USE ONLY)

Comment: First such group release. Effects year end strength figures R-111-60. (CONFIDENTIAL)

B. Navy

(1) DNI visit

RAdm Frost completed 15-17 March visit.

Comment: IIN flattered by visit DNI and usual IIN-USN cooperation theme stressed in all talks prior visit. (OFFICIAL USE ONLY)

(2) Hydro survey

USS Tanner and USS Requisite nearing completion this year's work in Persian Gulf, Capt Dawson, CO USS Tanner to visit Tehran 28 March to discuss this year's accomplishments and next year's requirements with VAdm Shahin, CNO IIN.

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PAGE 10

Comment: Continuation this quality hydro,
beach and oceanographic survey will substantially assist
all maritime interests in Persian Gulf.

C. Air Force: Negative.

ACTION: ACSI

INFO: DCSOP, OSA, JIG, OSD, AF, NAVY, STATE

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Comment: Atmosphere all sessions unusually amiable. Pak delegate now emphasizing danger Afghans to almost complete exclusion previous years' emphasis on India. (SECRET)

Please correct Page 3, lines 19-22 to read as follows:

Comment: First time Sov radios have commented on Iranair situation and US participation therein. Such intense spill-over jamming also not noticed during previous monitoring periods. (OFFICIAL USE ONLY)

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MAR 60

STATE SECRET

SGD WAILES.

1. Political

A. Iran-CENTO

CENTO Military Committee completed 3-day Tehran session. Command structure only important point considered. After lengthy discussion agreed inform ministerial council that permanent military deputies group study had been examined and returned PMDG so other aspects could be covered. PM Eqbal told Amb he reconciled to decision as any press leak on command structure might endanger chances success summit talks. (SECRET)

Comment: Much talked about possibility of hassle over command structure point failed materialize. (SECRET)

B. Iran-Iraq

ForMin has informed Emb that Yadollah Azodi will be new Amb to Iraq. He career diplomat of distinguished family who has been on retired list for two years. Papers now printing this information and state Abdol Motaleb Amin, new Iraqi Amb, will arrive Tehran latter half April. ForMin informed Amb propaganda from both sides would cease within days. Another well-informed gov source said it would cease 31 March. Tehran papers printing very friendly comments about Iraqi developments, radio Tehran saying little or nothing on subject. (CONFIDENTIAL)

Comment: Cessation of propaganda, exchange of Ambs, plus pull back troops from Khorramshahr area (see military) will end immediate crisis. One real point of disagreement,

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PAGE 2

control of Shatt Al-Arab, reverts to status quo ante and there now opportunity for quiet talks on subject. It remains to be seen whether Azodi who has no political significance or stature Iran will be able contribute anything these talks particularly view Iraqi desire former Amb Ardalen return Baghdad. (CONFIDENTIAL)

C. Iran-Afghanistan

Communique on Daud's visit (WEEKA 19) dated March 21 printed papers week later. States both sides "explained and confirmed" views on Helmand; Daud explained Afghan neutrality; Egbal accepted invitation visit Kabul on unspecified date. (UNCLASSIFIED)

Comment: Negotiations remain stalled, with Egbals visit only present ray of hope. Iranians not optimistic about anything resulting PM's visit. (OFFICIAL USE ONLY)

D. Iran-Jordan

King Hosein scheduled arrive Tehran April 4 on ten-day state visit Iran. Visit includes trips to Isfahan, Shiraz, Caspian and pilgrimage Holy City Meshed. (See military) Hosein returning recent call of Shah. (See WEEKA 44 1959). (See psychological) (UNCLASSIFIED)

Comment: Shah assiduously cultivating Iran's only friend among Arabs. Nothing of great substance expected from trip. (CONFIDENTIAL)

E. Iran-Soviet

(1) Propaganda

Radio Moscow said Iran replies its talks marked attempt becloud Iran-USSR relations for which Shah and Egbal receive dollars; that Iran going into debt over useless military construction; and that CENTO military committee meeting serves no useful purpose. Clandestine NVI station said CENTO command structure would put IIA under US-UK imperialists and called upon Army officers stop move and deliver country from foreigners. Jamming of NVI no longer prevented monitoring. Both station continued call for overthrow Shah and regime. (UNCLAS)

Comment: None

(2) General

Unusual reception given March 27 at Sov Emb honor departing Indian first Secretary attended by small gathering diplomats. Sov charge Voronin said no imminent news re return Amb Pegov and that under present circumstances no need Pegov here. (OFFICIAL USE ONLY)

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PAGE 3

Comment: None

F. Internal

(1) No Ruz

No Ruz quiet continues prevail. Shah at Caspian; expected return April 3 for Hosein visit. Parliament still on holiday; scheduled meet April 6 in joint session to hear Jordan King. (UNCLASSIFIED)

Comment: None

(2) National War College visit.

Students and faculty visited Tehran March 29-31. Attended ARMISH-MAAG and Embassy briefings. Were entertained by Amb and Staff. Hosein Ala, Min Court, and Hasan Ali Mansur, Min Commerce, addressed group. Students expressed pleasure arrangements Tehran. (UNCLASS)

Comment: None

(3) Iran concern Iraqi oil plans

Despite repeated oil company reassurances that expansion oil production facilities in Iraq will not have adverse effect on future Iranian production, prospect continues bother Iranians. Confirmation received Iraq production scheduled exceed Iran 1962. (CONFIDENTIAL)

Comment: This likely become most important issue between Govt and member oil consortium. (CONFIDENTIAL)

(4) Azna Steel Plant

PriMin told Amb Mar 29 (see EmbTel 2245) sincerely appreciated our comments to Brit and Germans re short term credits. Felt five-year loan unfortunate from viewpoint Iran and indicated he in favor fifteen to twenty year loans like those granted by DLF. Distinct impression given PriMin not enthusiastic over steel mill but accepting it as political necessity. (CONFIDENTIAL)

Comment: None

2. Psychological

A. Press and radio.

(1). Iran-USSR

Evening papers resumed publication with end of lengthy New Years holiday and Etelaat and Keyhan resumed reprinting of radio Iran's talks replying to radio Moscow. Subjects include purges, corruption and class differences

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PAGE 4

in USSR. Etellat reports Turkish radio and press criticism of Sov attacks on Iran. (UNCLASSIFIED)

Comment: Repetition of usual themes (UNCLASSIFIED)

(2) CENTO Military Committee

Tehran meeting of CENTO Mil Committee well covered. Speculation confined to news agency reports that meeting considered command structure. (UNCLASSIFIED)

Comment: None

(3) Hosein visit

Papers reported plans for official visit King Hosein without comment. Erection of several arches on main streets indicated organized welcome planned. (OFFICIAL USE ONLY)

Comment: None

3. Military

A. Army

(1) Recall mil units

On 28 March, Chief SCS directed the return to home garrisons of all units deployed Khorramshahr-Abadan-Ahwaz area during recent Iran-Iraq border crisis (joint msg 11) the 122nd AAA Bn ordered return immediately to Tabriz and Tank Co of 111th Tank Bn returning Tehran. Others to follow. Dep Chief SCS told USARMA "recall indicated war is over". (CONFIDENTIAL)

Comment: Recall anticipated as Iran-Iraq tension eased and after recent visit Shah for inspection troops that area. (CONFIDENTIAL)

(2) Military demonstration

Iranian Army making preparations for mil firepower and maneuver demonstration Shah will be conducted at Aliabad tank range (80 KM South Tehran) in honor King Hosein of Jordan (see political). Units of Tehran Garrison (111th Tank Bn, 112th Armd-Cav Bn, elements 1st and 2nd Inf Brigs), supported by two arty bns Second Corps (115mm and 8-inch How Bns), will participate (CI-26-60). (CONFIDENTIAL)

Comment: Demonstration to be similar to "Operation Jajerud" conducted last fall for Pak Pres Ayub Khan. Despite

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long distance fm Tehrar, Aliabad Range offers more ideal tank firing and maneuver area than that previously used; should impress visiting King as to Iran's mil potential. (CONFIDENTIAL)

(3) Military Attaches

Lt Col O Madani newly accredited to Iran as Mil and Air Attache, Hashemite Kingdom of Jordan, vice Maj Myazi El Khatib relieved and reassigned Jordanian Mil Attache Beirut. Reported also that West German Mil Attache may be accredited to Iran near future. (OFL USE ONLY)

Comment: Col Madani stated Khatib reassigned Beirut due severe illness Jordanian Mil Attache that station. (OFL USE ONLY)

B. Navy
Negative

C. Air
(1) Chief of Staff, USAF, arrives Tehran
General White, Chief of Staff, USAF, arrived Tehran 27 Mar 60 on a historic non-stop flight fm Wash DC to Tehran to attend CENTO meeting. (UNCLASSIFIED)

Comment: Flight demonstrated US and Iran only hours apart. (UNCLASS)

(2) F-86 arrive Iran
First F-86 aircraft scheduled for Iran will arrive Tehran 2 Apr 60. (CONFIDENTIAL)

Comment: None

NOTE: Received SCO 051302Z Apr 60.

ACTION: ACSI

INFO: DCSOP, OSA, JIG, OSD, AF, NAVY, STATE

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SGD WAILES.

1. Political

A. Iran-Jordan

King Hosein arrived on schedule ten day visit April 4. (WEEK 13). Extensive program arranged; King addressed Joint Session Parliament April 5; visited University museums and attended mil maneuvers. Departs Tehran with Shah for Meshed Pilgrimage and Caspian April 8. Good newspaper coverage though public generally apathetic. (See psychological). No newspaper or other reports re any conversations b/n two sovereigns on Iraq. (OFFICIAL USE ONLY)

Comment: None.

B. Iran-Iraq

Radio propaganda exchange terminated Mar 31. Press also withholding unfriendly comment on Iraq; (See psychological) playing up exchange of ambassadors and possibility of negotiations on underlying Shatt-Al-Arab issue instead. (UNCLASSIFIED).

Comment: Troop withdrawal, (see military) cessation propaganda and exchange of ambassadors marks end of immediate dispute but still leaves original Shatt problem awaiting solution. (OFL USE ONLY).

C. CENTO economic committee meeting ends eighth session of CENTO economic committee held in Tehran April 3-6 under British chairmanship approved resolutions on trade, communications, agriculture, health, mineral dev, and matters relating to technical assistance program. Resolutions are to be submitted to forthcoming council meeting. US advice that microwave link proj would have to be reexamined in light of tropospheric scatter developments, under which construction savings may be gained, caused very strong unfavorable actions Turk-Iranian-Pak delegations. (CONFIDENTIAL) EED

Comment: None.

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D. Iran-Soviet

(1) Propaganda

Radio Moscow said Shah and King Hosein two-of-kind: Both visited Chiang, both engineered reactionary coup d'etats and imprisoned prim mins, assisted former Iraqi regime, and are under domination foreigners; called Eqbal IAR; alleged Shah and Eqbal building prisons and missile bases instead schools and hospitals. Clandestine NVI accused Danish Min Commerce who recently visited Iran among those exploiting Iran; said Americans at Nemazi Hospital Shiraz mistreating Iranians; asked why election activity postponed and said elections controlled by embassies and Royal Court; accused Amb Zahedi by-passing FonMin and reporting directly. Shah behest British and US Embassies which have branches at court. Continued call overthrow Iran Gov. Interference (WEEKA 12) once again hampered monitoring NVI broadcasts. Neither station mentioned CENTO. (UNCLASSIFIED).

Comment: Sovs mentioned elections first time. Otherwise nothing new. (OFFICIAL USE ONLY).

E. Internal

(1) Elections

Embassy reformed by Min Interior officials changes election law re reapportionment election districts and direct election senators will be reported out Majlis Committee this week and elections scheduled late May or early June.

Senators Abas Qoli Golshayan and Dr Said Malek whose elected terms expired Mar 18 appointed by Shah April 7 place deceased Senators Hakimi and Qasemzadeh. (WEEKA 12) (CONF) (GS-152).

Comment: Golshayan's recent move conciliatory attitude towards Shah's policies apparently has paid off. Shah's unhurried approach elections may be due busy schedule of late; as result no one sure when elections will be held or who candidates will be. (CONFIDENTIAL).

(2) No Ruz ends.

No Ruz holidays ended April 2 but city still in doldrums. Parliament met in joint session April 5 hear King Hosein (see Iran-Jordan) but first working session of new year for Majlis April 7 and for senate April 10. (UNCLASSIFIED)

Comment: None.

(3) Prime Minister's Anniversary.

PrMin Eqbal celebrated end 3rd year in office on April 4. In speech said past accomplishments not enough, must do more during coming year. Said he had made special

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effort meet citizens; had traveled as no previous PriMin had, and as result had been able respond to wishes of people. Egbal certain that Shah has given present gov his full confidence. (UNCLASS).

Comment: Another indication by Egbal that he will remain in power additional length time. Embassy sees no evidence contrary. (OFFICIAL USE ONLY).

(4) Continuing concern over meat prices. Almost daily press items indicate continuing inability municipality control rising meat prices. One announcement said butchers found profiteering after April 3 would be fined and even publicly flogged. (UNCLASSIFIED).

Comment: Many complaints being heard re rising prices in general. Inflationary tendencies continue with resultant political pressures. (OFFICIAL USE ONLY).

(5) Polish trade agreement renewal negotiations. Polish trade mission in Tehran negotiate new trade agreement replacing one expiring April 15. Removed poles pressing hard for quota increases but Iranians uninterested even though means passing up opportunity increase farm goods exports. (CONF).

Comment: None.

(6) Soviet trade agreement not yet renewed. No move yet made by either side renew Iran-Sov 3-year trade agreement which expired March 20 (end 1338). Trade still proceeding under 1338 licenses and both sides playing hard to get. Iran expects Sovs make first move but may reconsider in light of large portion (one-fourth) non-oil exports going to USSR. (CONFIDENTIAL).

Comment: None.

(7) Karaj Dam labor difficulties. Accident at Karaj Dam resulting death Iranian laborer has brought to head long standing dispute re safety standards observed by contractor, Morrison Knudsen international. Investigation accident necessitated three day suspension all construction activity and additional safety restrictions now holding up resumption full scale work. (OFFICIAL USE ONLY).

Comment: Reported over fifty Iranian fatalities in two years construction work. Labor force restive and govt dissatisfaction alleged to have developed to such point that if another such incident occurs MKI will be asked leave Iran. (LTD OFL USE).

2. Psychological

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A. Press and radio.

(1) Iran-Jordan

Organized crowd assembled for arrival of King Hosein. Most papers editorially welcome visitor. Keyhan stresses Moslem unity, Marde Mobarez praises Hosein's resistance to communist influence, also blames foreign, i.e., US, British, and Soviet interference for Middle East unrest. Hosein's program fully covered. (UNCLASSIFIED)

Comment: Standard treatment for state visit. (OFL USE ONLY).

(2) CENTO.

Post Tehran defends necessity of CENTO military measures, urges "those not pleased this organization should try for solution world's problems." Also supports CENTO economic cooperation. Etelaat, Keyhan covered committee meetings Tehran without comment. (UNCLASSIFIED).

Comment: In absence significant developments, public interest in CENTO at low ebb. (OFFICIAL USE ONLY).

(3) Iran-Iraq.

Widely published news reports said Iran-Iraq radio war ended Mar 31. Few papers commented. Etelaat said, in effect, "we will wait and see". (UNCLASSIFIED).

Comment: None.

(4) Iran-USSR

Keyhan, Etelaat continue publication of radio Iran replies to radio Moscow, referring to Sov treacheries in Azerbaijan and elsewhere, refuting Sov criticism of school provisions, press control. (UNCLASSIFIED).

Comment: None.

(5) South Africa

Etelaat says security council condemnation of racial discrimination in South Africa "is a great success for the Afro-Asian countries." Keyhan calls the Afrikaners "colonials" and condemns the "bestial acts" of their govt. (UNCLASSIFIED)

Comment: Press reaction apparently represents genuine attitude on South African situation. (OFFICIAL USE ONLY).

3. Military

A. Army

(1) Troop movements completed.

G-3 ground forces stated that during past week all units redeployed during recent Iran-Iraq Shatt crisis. (WKA 13) Closed at their home garrison having rejoined their parent organizations. (CONFIDENTIAL)

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Comment: Role of military finished as diplomats take over. (CONFIDENTIAL).

(2) Military demonstration.

Fire-maneuver demonstration conducted by First Corps Elements (reinforced) 6 April in honor King Hosein of Jordan and in presence senior Iranian officers, NATO and CNETO MA's and diplomatic representatives. Unusually high winds, heavy dust, haze, and great distance from observation point to target areas resulted unimpressive demonstration when compared to previous ones. Air drop cancelled. (WEEKA 13). (OFFICIAL USE ONLY).

Comment: Despite good preparations and rehearsals, intervention unfavorable weather resulted in disappointing show. (CONF).

- B. Navy.
Negative
- C. Air
Negative

ACTION: ACSI

INFO: DCSOP, OSA, JIG, OSD, AF, NAVY, STATE

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1. Political

A Iran-Turkey

ForMin Aram Apr 19 made official statement to Majlis on Iran Gov views Menderes-Mhrushchev exchange visits (see WEEKA 15). Said Iran. Turkey bound by centuries of friendship and Iran has complete trust in Turks. In its own interests, Turkey joined NATO, CENTO, signed bilateral with US, gave missile and military bases to US. Iran Gov pleased that Sov Gov, in spite these agreements, decided improve relations with Turks. This a development worthy consideration, study. Iran Gov, in spite bitter experiences, has always considered principles friendship in relations with Sovs. It has repeatedly declared Iran would never be base for aggression against Sovs. It regrettable Sovs did not appreciate this attitude. Iran Gov confident Menderes visit will have no effect Turk policy vis-a-vis CENTO. (UNCLASSIFIED)

Comment: Turk announcement still popular subject conversation among knowledgeable Iranians. Speech even gave rise speculation Iran will change its policy re non-establishment missile bases Iran. This implied threat may be part move pressure Sovs cease their propaganda. Over-all effect Aram statement may be another step in using arguments in favor Turkish precedent to build up case for similar move Iran Gov, i.e. trip to USSR. (See Iran-USSR) (CONFIDENTIAL).

B. Iran-Soviet.

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(1) Propaganda

Radio Moscow attacked PM Egbal and Shah for consorting with King Hussein, for permitting Americans build military bases Iran, for attacking USSR, for turning Iran into CENTO headquarters, and for fearing impact Menderes-Khrushchev visits. Said Iran Gov attempt influence foreigners by showing them educational, development works wrong; Moscow advised foreigners see pitiful conditions South Teheran. Clandestine NVI said Turkish Sov talks likely lead talks Sov economic assistance and advised Iran to follow lead Turks. Said Iranian people prepared change policy and their leaders do not; therefore, leaders should be changed. Added Aram's Majlis speech puppet show with Shah pulling strings. (UNCLASSIFIED)

Comment: Sovs propaganda lost no time using Turk-Sov talks attempt soften Iranians of immediate impact playing upon receptive (in many cases) neutralist ears Iranians probably having some effect. Obvious Sovs did not like Aram's comments implying Iran's policy re no missile bases should be studied. (OFFICIAL USE ONLY).

(2) Iran Amb Moscow to return.

FonMin Source April 19 informed Embassy Amb Masud-Ansari arriving shortly Tehran from Moscow carrying proposals view ameliorating Iran-Sov relations. Source also stated negotiations renew trade agreement, which expired Mar 20, will commence soon. (CONFIDENTIAL).

Comment: None.

(3) Conversation with Sov Mil Attache

Sov Mil Attache (see Airgram G-161) said:

(A) Iran-Sov relations will probably not improve before summit meeting;

(B) Iran sees possibility US-USSR accord basis fear impairment Iran's position;

(C) Sovs trying to educate Iranians with propaganda;

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(D) Sov prestige at stake in Iran-Sov cold war;

(E) Iran Gov surprised by Menderes visit and Shah initially angry;

(F) Sov Emb puzzled failure Amb Pegov return Tehran. (SECRET).

Comment: Re Turk-Sov exchange visit impression obtained Sovs believe they might be able create split CENTO. (SECRET).

C. Iran Yugoslavia.

Yugoslav Fon Min Popovic, enroute Kabul stopped overnight Tehran, was entertained by Fon Min Aqam. (UNCLASSIFIED).

Comment: One subject believed discussed was Yugoslav desire negotiate trade agreement. Iranians hitherto reluctant. (OFFICIAL USE ONLY).

D. Internal

(1) Khalatabari's anti-American speech.

After initial big play (see WEEK 15) news and editorial comments in local press re Khalatabari's Majlis speech ceased almost entirely (see Psycho) tending substantiate reports Iran Gov displeased with contents. As yet no formal reply to speech made Majlis although rumors say answer may be forthcoming later in order not build up importance of speech now. (OFFICIAL USE ONLY).

Comment: Speech appeared be attempt by opportunistic Khalatabari to gain limelight without prior knowledge Iran Gov. Impending CENTO conference as well as announcement forthcoming Menderes-Khrushchev visits overshadowed speech during past week. No significant change in local scene expected result from speech; Embassy officially ignoring episode. (CONFIDENTIAL)

(2) Shah's trip to Europe.

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Papers now report Queen Farah will not accompany Shah on European trip. (See WEEKA 15). Shah plans arrive Geneva May 4, Stockholm May 5. Schedule now reported: 5 days State visit Sweden; 3 days State visit and 2 days privately in Belgium; 5 days State visit and 1 week privately in Austria; return Tehran May 28. (UNCLASSIFIED).

Comment: Contrary previous indications (WEEKA 15) Royal physicians have apparently decided State visits and air travel would place too much strain on health of expectant Queen. (UNCLASSIFIED).

(3) Aena steel mill project.

Following US demarche (see EmbTel 2462) indicating concern about Iranian intentions finance Aena Steel Mill project by means of supplier credits, Shah instructed cabinet to postpone contract signatures while effort made to obtain better credit terms from British and West Germans. (WEEKA 13). Foreign Minister will call in British and West German Ambassadors to protest onerous credit terms offered in steel mill project. (CONFIDENTIAL).

Comment: Although precipitous movement to accept British and West German proposals has been slowed, Shah appears determined proceed with steel mill project. (CONFIDENTIAL).

(4) Weather and crops.

Abnormally high precipitation has occurred throughout country during past two weeks. This has materially improved outlook for major field crops and lessened prospects signing PL 480 agreement on wheat. Nevertheless, precipitation for year as whole remains below normal. (See WEEKA 11) (UNCLASSIFIED).

Comment: None.

(5) New Iran-Poland barter agreement signed.

Iran signed new barter agreement with Poland (See WEEKA 14) under which four million pounds sterling commodities are to be exchanged each way during 1339 level of trade is same as amended agreement for 1338, but few

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minor changes were made in levels certain commodities.
(UNCLASSIFIED).

Comment: Actual trade has been far below ceilings set previous years. Iran Gov regards trade with Poland as unimportant; nearly all Sov bloc trade with USSR. (OFFICIAL USE ONLY).

(6) 1339 import regulations

Import regulations released April 16 and effective April 11 imposed many additional commercial profits taxes, but set no commodity import quotas. Regs welcomed by merchants who anticipated very stringent controls. Regs however empower Bank Melli to restrict credits to "essential goods" in event foreign exchange shortage develops. (UNCLASSIFIED).

Comment: In view Iran Gov's foreign exchange difficulties and pressure of old guard for stringent quota controls and multiple exchange rate, moderate new regs are triumph of group which Min Commerce spiritual leader (OFFICIAL USE ONLY).

(7) Renewal Sov-Iran trade agreement.

Iran Gov officials expect negotiations for new Sov-Iran trade agreement will be initiated during week of April 25 (see WEEK 14). New agreement believed likely incorporate substantially same trade items as three year agreement which expired March 20. (OFFICIAL USE ONLY).

Comment: Most important trade agreement for Iran in view size of Sov offtake of Iran exports (22 percent of 1337). Alternative market extremely difficult to find.

(8) High level revt Review* difficulties Isfahan textile industry.

Governor Bank Melli and three Cabinet Ministers visited Isfahan this week to investigate economic status and labor difficulties of cotton textile industry. Number mills with total estimated labor force of about 2,000 have closed for some time. (UNCLASSIFIED).

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Comment: On various occasions government has attempted assist Isfahan plants by credit advances. This money dissipated without tangible results. Apparently government now wishes make definitive determination as to its future position in respect to these mills. Govt appears victim continued blackmail by factory owners through possibility labor unrest. (OFFICIAL USE ONLY)

(9) Aftermath labor difficulties Karaj Dam.

Following suspension construction activity for several days while fatal accident at Karaj Dam investigated, work resumed on a partial basis. (See WEEK 14) (OFFICIAL USE ONLY).

Comment: History fatal accidents at dam site raises possibilities serious trouble for both MKI and US Government. (OFFICIAL USE ONLY).

(10) New advisor to Shah expected influence petroleum matters.

Ahmad Mehbud appointed personal advisor by Shah. In recent years Mehbud played controversial role in various aspects petroleum industry operations. (CONFIDENTIAL).

Comment: Mehbud may have inspired several recent comments by Shah in respect need of government to participate on ownership basis in oil consortium. It seems likely Mehbud will inspire other schemes increase government's take from consortium. (CONFIDENTIAL)

2. Psychological

A. Press and radio.

(1) Turkish-Soviet visits.

Announcement plans for Menderes-Khrushchev exchange of visits widely welcomed by press. Papers say it indicates success of firm Turkish policy. Sov defeat means Sovs will be forced modify attitude development to success common policy under CENTO.

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Small Daily Jahan more reserved, prefers await outcome before judging exchange. Atesh says Turkey free choose friends, pursue own interests. For Min's Majlis statement Iran considering implications exchange in light of US bases in Turkey called ambiguous by Etelaat, which asks, "why should we be more Catholic than the Pope?" (UNCLASSIFIED).

Comment: Favorable press comments gov inspired. Publicity given remark about US bases intended reinforce broad hint to Soys Iran weary of present unrewarding situation. (LIMITED OFFICIAL USE).

(2) Khalatbari speech.

Two small dailies, Atesh and Sedaye Mardom, dispute Khalatbari's statement in Majlis (WEEKA 15), assert that US in fact supports freedom, opposes dictatorships. Two small weeklies, Estakhr and Vahemeh, agree on same point, but say US diplomats not well enough informed and US aid sometimes wasted. (UNCLASSIFIED).

Comment: Editorials in these minor papers only emphasize insignificance Khalatbari's attack. (OFFICIAL USE ONLY).

(3) Iran-US trade

Amendment Iran-US trade agreement termed by Post Tehran new sign deep and friendly relations and indications of US support of Shah's policy designed obtain additional income for industrial development. Tolu says agreement means cancellation special privileges accorded US and enables gov make similar adjustments in trade with other countries. (UNCLASSIFIED).

Comment: None.

(4) Iran-USSR.

Etelaat assures Kremlin Iran rejects pressure and intimidation, defends participation in CENTO and right make defense agreements, lauds patriotism of national defense society leaders. Tolu reviews sustained Sov

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propaganda attacks, says Iran will defend freedom. Etelaat, Keyhan continue publishing radio Iran replies to radio Moscow, which deal with Sov bureaucracy, low living standards, interference in Iran. (UNCLASSIFIED).

Comment: Increased discussion Sov relations by product of Turk-Sov visit exchange development. (OFFICIAL USE ONLY).

3. Military.

A. Army.

(1) First Army organization.

Source in G-3, ground forces indicated that IIA now proceeding with development Hq First Field Army which had been in on-again-off-again status (CI-24-60). On 23 April, approximately 120 to 150 (approx 80-100 C&GSC graduates) senior field grade officers will begin special 13-week orientation course at C&GSC Tehran. Course to cover Army Hq Orgn, functions and mission, plus strategic briefings. IIA hopes establish (using officers trained) Army Hq skeleton staff in approximately three months in Kermanshah (due lack facilities Hamadan, eventual location). Believed necessary to build up staff to 400-officer level in approximately one year. (CONFIDENTIAL).

Comment: Iranians apparently intend proceed with development Field Army Hq, albeit slowly, despite difficulties concerning officer and equipment shortages. Commander Not yet appointed. (CONFIDENTIAL)

B. Navy.

(1) IIN base Khark Island

VADM Shahin very pleased that Khark Island approved as IIN base. (UNCLASSIFIED).

Comment: None.

(2) US Hydrographic Survey.

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USS Tanner completed successful season of survey operations in Persian Gulf. (UNCLASSIFIED).

Comment: In addition to data acquired, survey operations helped improve cooperation between IIN and USN. Local contacts gained good will for USA in coastal towns. (CONFIDENTIAL).

C. Air.

(1) First F-86's arrive Tehran.

On 12 April 1960 two F-86s for the IIAF arrived Tehran. General Khatami, Commander IIAF, and M/Gen Lindquist, Chief MAAG, participated in ceremony welcoming the first F-86-s to IIAF; on 22 April three more F-86's are scheduled for arrival. (UNCLASSIFIED).

Comment: The F-86 combined with the "Sidewinder" Air to air missile will give the IIAF a very effective weapon in the Middle East Area. (CONFIDENTIAL)

(2) French cadets arrive Tehran.

Approximately 200 French Air cadets arrived Tehran on 20 April from Karachi in six French twin engine Nords. French Ambassador and military attache hosted separate receptions. Cadets will stay in Tehran for three days visiting Isfahan and Shiraz. (UNCLASSIFIED).

Comment: None.

(3) Iranian-French air agreement.

On 21 April the French and Iranian governments signed an air agreement. (CONFIDENTIAL).

Comment: Copy of agreement will follow in IR. (CONFIDENTIAL).

NOTE: * As received.

ACTION: ACSI

INFO: DCSOP, OSA, JIG, OSD, AF, NAVY, STATE

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(22 APR 60)

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JW 19

MAY 60

STATE CONFIDENTIAL

SGD WAILES

1. Political

A. Iran-Soviet

(1) Propaganda

Radio Moscow stressed Iranian rulers permitting US use Iran base aggression against USSR. Alleged installations include airports, bases and missile launching facilities. Claimed Iranian contention CENTO purely defensive nonsense; alleged espionage flight U-2 took off from Pakistan.

Clandestine radio (NVI) said U-2 based in Turkey overflew Iran enroute Peshawar, Pakistan and from there moved to Sov Union. Alleged bilateral permits US use Iran which was confirmed by US when latter acknowledged spying mission "obviously" from CENTO nations against USSR. Iran attempt absolve itself typical, but fact that American colonels in charge espionage system evidence enough. Stated Shah commits treason.

NVI commented Shah's trip Europe increased burden on people, but bored Shah obviously enjoys foreign companies who subsidized him. Such trips by royal family really for tending their business transactions, e.g., Shah going Switzerland investigate his bank accounts. (UNCLASSIFIED)

Comment: None.

(2) General

Acting FonMin Afshar told charge with reference U-2 incident only approach by Sovs to Iran Gov was question by Sov counselor whether any truth in report carried Tehran paper Iran would protest USSR reported reference by Khrushchev Iran as possible point origin U-2 flight. Sov diplomat informed Iran Gov planning no protest.

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(14 MAY 60)

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PAGE 2

Afshar attitude was Sovs have not publicly involved Iran point where it necessary Iran Gov add anything public comments by Shah at Stockholm re this matter.
(CONFIDENTIAL)

Comment: Iranians appear relieved they are not involved in case. (CONFIDENTIAL)

B. Internal

(1) Majlis elections may be postponed
Hosein Farhudi, Undersecretary Parliamentary Affairs, Ministry Interior, informed Embassy Majlis elections may be postponed until approximately first week July (see Emb Airgram G-173), partly because disturbances Korea and Turkey, partly because Iran Gov wishes schools be closed beforehand. Shah plans review all names candidates and election arrangements on return from Europe May 28. Shah reportedly told Eqbal before departure Europe government and political parties must ensure free elections to satisfy public opinion. In recent days both Prime Minister in public statement and Deputy Prime Minister Khosrow Hedayat in Majlis statement have insisted elections will be fair and free. Mardom party said encouraged by developments and plans more active campaign since some source now feel elections have 50 percent chance not to be so rigidly controlled as hitherto expected. (CONFIDENTIAL)

Comment: If Shah permits elections be relatively free by allowing choice from lists pre-chosen candidates, decision would be wise and create favorable impression Iran.
(CONFIDENTIAL)

(2) Land reform bill

Land reform bill finally reported out to Senate by special senate committee with no changes. Bill approved May 11 first reading with no debate and referred back to special committee. Bill will probably be submitted second reading next week with no changes expected. Bill expected to be approved soon and transmitted to government for implementation. (UNCLASSIFIED)

Comment: Long awaited land reform measure appears about ready to be born. Most observers do not, however, expect it will be dynamically implemented; they cite failure other reform measures as basis their views. (CONFIDENTIAL)

(3) Cabinet tours Khorasan province

Eqbal and most of cabinet left May 10 for tour Khorasan province expected to last ten or twelve days. This first cabinet tour Eqbal to his home province.

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PAGE 3

Tour part cabinet's attempt visit all sections Iran and follows pattern other such visits provinces taken during last few years. (UNCLASSIFIED)

Comment: These tours cause considerable excitement in provinces but apart from psychological value and dramatic gestures, few Iranians feel much gets accomplished. (OUO)

(4) War Ministry seeks borrowing authorization MinWar 11 May introduced bill to instruct bank Melli lend Min 400 million rials (4.3 million) for completion of construction projects during current year. (UNCLASSIFIED)

Comment: In view bank Belli' increasingly strict credit policy toward public as well as private sector, gov agencies finding it necessary to seek authorizing legislation for large loans. Loan would represent sizeable increment (around 5 percent) to 1339 budget appropriation for MinWar. (LIMITED OFFICIAL USE)

(5) Appropriation for Lar rebuilding Bill to appropriate 110 million rials (\$1.5 million) for rebuilding quake-shattered area Lar introduced 6 May, passed Majlis 11 May. Financing to come half from 1339 ministerial budgets and half from plan org municipal chapter, representing funds originally allocated for Bushire water system. (UNCLASSIFIED)

Comment: Shift of funds rather than supplemental appropriation involved; supporters Bushire project expected fight for supplemental to save Bushire funds. (OFFICIAL USE ONLY)

(6) Majlis approves Dez Dam bill On May 5 Majlis approved bill authorizing \$42 million IBRD loan to cover foreign exchange costs of Dez Dam project. (UNCLASSIFIED)

Comment: Although Majlis debate on bill was marked by flare-up of anti-foreign feeling on part of certain deputies (see WEEKA 18), bill was approved on day chosen by government. Bill is currently in Senate with passage expected before end of month. (OFFICIAL USE ONLY)

2. Psychological

A. Press-

(1) U-2 incident

Etelaat daily comment noted US had committed serious blunder, continued US recon activity dangerous policy, but repeatedly stressed Khrushchev tirade

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PAGE 4

Merely excuse for tough line at summit, designed lay blame on west for summit failure. Also expressed regret Iran had not given US bases as Iran faring worse than countries which did. Many papers worried summit chances reduced or eliminated. Etelaat, Kayhan incensed Soviet implication plane came from Iran, rejoiced Shah's denial. Small papers seemed mainly concerned big power rivalry might result destruction small Nations. (UNCLASSIFIED)

Comment: Most papers worried about peace prospects. (UNCLASSIFIED)

(2) Shah's visit.

Travels front paged but comment light, noting Shah best possible propaganda for Iran, Ambassador of Peace, means for spreading information on culture, progress Iran. (UNCLASSIFIED)

Comment: None

(3) NATO conference

Light comment, now ceased, consisted largely demands USSR contribute easing tensions by stopping cold war against Germany, Greece, Iran. (UNCLASSIFIED)

Comment: None.

(4) Iran Soviet

Replies to radio Moscow continue. Shah's visits, U-2 incident pretexts for frequent repetition Iran's peaceful attitude USSR, desire cessation Soviet propaganda attacks. Kayhan speculated Shah conference Stockholm with Iranian Ambassador USSR presaged resumption negotiations. (UNCLASSIFIED)

Comment: None.

(5) Chessman

Some criticism continued. Jahan sniped at Iranian corruption, wondered if some Iranian criminals would be forgiven as readily in US as they are in Iran. Kayhan gave history case, praised firmness US courts. (UNCLASSIFIED)

Comment: Issue expected to be forgotten soon. (UNCLASSIFIED)

(6) Elections

Majlis speeches insisting elections to be free irritated Jahan, which wondered why insist on proving opposite of known truth. Donya demanded confining vote to literates. said present system farce.

Comment: (See political)

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PAGE 5

3. Military

A. Army

(1) German Mil Attache

Lt Col (Arty) Karl Otto Von Czernicki, new Fed German Republic Mil, Naval, Air Attache, arrived Tehran 29 April (CI-44-60). Previous assignment in Attache Branch, German Min Def. Initially accredited only Iran, consideration being given accreditation Afghanistan later. Czernicki pleasant friendly appearance, speaks good English, Turkish. Entered mil service in 1934 and was member old German staff, recalled to mil service 1956. (CONFIDENTIAL)

Comment: Czernicki during World War II specialized eastern affairs, apparently possesses good background knowledge this area. (CONFIDENTIAL)

(2) USARMA field trip

During period 4-8 May USARMA and Asst completed field trip Gorgan area Iran including visits 1st Inf Div Gorgan; border guard post at Tangeli on Iran-Sov border; rail facilities Bandar Shah; rail construction Bandar Shah-Gorgan; and Babolsar. (OFFICIAL USE ONLY)

Comment: Area quiet, normal conditions, nothing especially significant noted. (OFFICIAL USE ONLY)

B. Navy: Negative.

C. Air: Negative.

ACTION: ACSI

INFO: DCSOP, OSA, JIG, OSD, AF, NAVY, STATE

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JW 20

MAY 60

STATE CONFIDENTIAL

1. Political

A. Iran-USSR

(1) Sov Memo

Iran Emb Moscow May 14 was handed Sov
memo drawing attention to dangers inherent possible border
crossings during CENTO Air Exercise Shahbaz. (See Air) ForMin.
not concerned. (CONFIDENTIAL)

(2) Reaction Summit

Gov comment yet on Summit breakup.

(3) Propaganda

Both radio Moscow and Clandestine NVI turned to
U-2 incident hinting at Iranian collaboration, saying that all
CENTO members are partners in US aggression, a neutrality is
now only possible course for Iran. Said Iran reply to Sov memo
of May 14 would undoubtedly be written by US. (UNCLASSIFIED)

Comment: Collapse of Paris talks makes agreement
to end Sov propaganda against Iran most unlikely. Unofficial
reactions demonstrate Iranians not displeased with turn of
events as they were never certain what Iran would do in world
detente. (CONFIDENTIAL)

B. Internal

(1) Land reform bill

Land reform bill passed unanimously
senate May 16 essentially same form passed by Majlis. (88
WEEKA 19). Bill transmitted to govt for final signature and
implementation; finally passed at Shah's Behest despite ex-
tensive opposition in senate and Majlis. (CONFIDENTIAL)

Comment: Initial excitement over bill dissipated
due delays and changes made in bill by Majlis. Few persons
feel new law will be effectively implemented at least for some
time; little attention being paid its passage. Many Iranian
predict this law to be like other reform measures of regime,
merely for show. If implemented, measure could have wide-
DA IN 10242 (20 MAY 60)

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social and economic repercussions. (CONFIDENTIAL)

(2) Foreign exchange drawdown

Bank Melli has calculated 1338 foreign exchange drawdown at \$61.8 million as compared \$49.2 million 1337 and earlier forecasts \$55 million 1338. In early May, Iran applied for \$12.5 million IMF drawing. (OFFICIAL USE ONLY) (See Airgram G-181).

Comment: 1338 drawdown higher than forecast chiefly because delay transfer US aid funds PA's and because utilization of DLF loan funds slower than plan org expected. Iran's IMF position strong and drawing request expected shortages coming critical months. (OFFICIAL USE ONLY)

(3) Iranian port authority proposed for

Shatt-Al-Arab

Oil consortium recently notified on CONFIDENTIAL basis by National Iranian Oil Company of establishment Iranian port authority on Shatt-Al-Arab to be known as Khorramshahr General Port Office. This provided by decree council minister April 16 and is to operate under ministry customs and monopolies. It is to have exclusive control over all port services Khorramshahr, Abadan and Khosroabad, including pilotage, berthing and maintenance navigational aids. Control would extend down Shatt to open sea.

Comment: This decree would appear in contravention terms 1937 treaty with Iraq. Decree has not been published nor is there as yet any public knowledge of it. In way of modifying prevailing arrangements on Shatt, Iranians for the time being seem intend only discontinue use Basra Port authority berthing masters for berthing tankers Abadan; berthing cargo ships at Khorramshahr has for long been handled by Iranians themselves.

It is not known what manner Iraqi Gov will be notified re decree but resumption recriminations regards Shatt can be expected. (OUO)

(4). Sov barter agreement talks under way.

Discussion on 1339 Iran-Soviet barter agreement began May 16 between officials Commerce Ministry and Sov Trade Agency. Three-year agreement of 1957 expired March 21, 1960. (U)

Comment: Commerce Ministry officials have informed Embassy they expect negotiations will be almost routine and that, on their part, agreement will henceforth be on year-to-year basis. Ministry inquired of Embassy whether United States had objection to Iranian export of copper pyrites to USSR to

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JW 20

PAGE 3

which Embassy replied in negative. It appears Soviets seeking to import 20,000 tons of copper pyrites in 1339 under new agreement. (C)

(5). Tehran doldrums

With Shah still on State visits in Europe (see WEEKA 19) and Pri Min with some FO CAB on provincial tour, no major gov action during past week. (U)

Comment: None

2. Psychological

A. Press and radio

(1). Summit

Ettelaat says Khrushchev used U-2 plane incident to wreck meeting deliberately because he had no intention of agreeing on disarmament and German issues and because he had to appease Chinese and other Communist forces opposed to reapproachment. Says spying would have continued on both sides whether or not meeting a success, that anti-Sov govs will now further consolidate; this best guarantee against war. DAD says Khrushchev went to Paris to exploit propaganda advantage, compares Macmillan role with Chamberlains attempt deal with Hitler. Paper praises Eisenhowers patience, says U-2 flight a mistake and free world must strengthen unity and determination to defend freedom. Setareh says war unthinkable; Iran continues to protect independence, integrity, and stands apart from present clamor. (U)

Comment: U-2 incident now viewed in perspective and Sovs reaping major share of blame for Summit collapse. (U)

(2). Elections

Most morning papers taking up cudgels in election campaign. Paik Iran criticizes Mardom Party leader Alam for speech attacking Egbal gov, says party politics should be ruled out while Iran struggling against external forces. Andisheye Mardom says Mardom party has won confidence of people in face of oppressive attitude of Gov Marde Moparez says party system means many current members of Majlis will be ousted, adds if free elections were held few present deputies would be returned, warns two parties to shun these people. (UNCLASSIFIED)

Comment: None

(3) Iran-USSR

Andusheye Mardom says Iran will continue resist Sov propaganda attacks. Atesh says Moscow radio praises treason when it praised five spies recently (20 MAY 60)

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executed Tabriz. Keyhan continues publish radio Iran replies to radio Moscow which point up contradictions in Sov propaganda. (UNCLASSIFIED)

Comment: None

3. Military

A. Army

(1) Unit relocations

On 22 May, 3rd Ind Inf Brigade, Tehran (Heshmatieh Garrison) begins moving to summer tng area vicinity Firuzkuh (80 miles east Tehran), scheduled to close by 4 June. Summer program officially opens 22 June. Upon completion summer tng, 3rd Brig makes PCS move to Sari (Hq plus 2 Bns) and DOAB (1 bn plus spt elements).

Also beginning 22 May, 111th Tank Bn and 112th Armd-Cav Bn move from Ghasr to Mehrabad Garrison, Tehran and 2 RTC Bns move from Mehrabad to Heshmatieh, (CONFIDENTIAL).

Comment: Early moves 3rd Brigade out of Tehran provides garrison space for reshuffle of selected units. Movement armd elements to Mehrabad Garrison close to Jay Garrison centralizes all armor one area Tehran. (CONFIDENTIAL)

(2). Subversive literature

On 13 May: American community Tehran, particularly military, flooded by anonymous anti-American subversive, hand-printed leaflets, delivered to QS clubs, homes and dropped into US owned vehicles (CI-56-60). Theme generally "Yankee go Home" that US in Iran against will people; Shah and govt bought by US dollars; people desire live peace and freedom, and Iran does not need US mil and economic assistance. (CONFIDENTIAL)

Comment: Old Communist cliches smack of made-in-USSR label. Wide, simultaneous distributions indicates good organization. Timing immediately prior Summit beating note-worthy. (CONFIDENTIAL)

(3) Iranian delegation to Jordan

Three officers, Vice Adm Nasser Rafsat, Tech & Engr Dep, Navy; Brig Gen Nosratollah Arbabi, Ch 2nd Div, J-2, SCS, (Ground Force); Brig Gen Khan Baba Ala, Air Dept, J-2, SCS, departing Iran 21 May for Jordan to represent Iranian mil forces at Independence Day celebrations Amman. (OFFICIAL USE ONLY)

Comment: Three services represented; however, 2 come from intelligence orgn. (CONFIDENTIAL)

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(4). Orientation visit to UK.
Group ten senior Iranian officers (3 Brig Gen, 6 CoIs, 1 Maj) headed by Brig Gen Hassan Tufanian, office J-3, SCS, departed for UK 14 May to participate in three week orientation visit as guests British Army. (CI-36-30) (OFFICIAL USE ONLY)

Comment: Similar visits also planned for Pak and Turk officers under CENTO auspices. No info here concerning scope program of visits England. (OFFICIAL USE ONLY)

B. Navy

Negative.

C. Air

(1) Commander IIAF visit to-Turkey.

On 27 May 1960 Gen Amir-Khatami, Commander IIAF, will pay official visit to Turkish Air Force.

Comment: None

(2) CENTO air maneuvers

USAF and RAF aircraft made simulated attacks on Tehran from bases in Turkey, Cyprus and Iran. Approximately 50 IIAF F-84 jets took part in three-day exercise.

Comment: Exercise was successful because showed state of training of IIAF radar crew and fighter bomber wing. Not all intercepts were successful. This was due partly to slower F-84's and not fully trained radar personnel.

ACTION: ACS1

INFO: DCSOP, OSA, JIG, OSD, AF, NAVY, STATE

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JUN 60

STATE CONFIDENTIAL

SGD WAILES

1. Political:

A. Iran-Turkey

Iran accorded recognition new Turkish Gov May 30. Public
and private comment on overthrow Menderes Govt and attitude toward new
regime generally favorable.

Shah set official tone approval for new regime during
stopover Istanbul May 29. In Geneva May 28 Shah used events Turkey
contrast stability in Iran with developments in neighboring ME countries,
expressed confidence in Iran's capacity solve internal problems,
emphasized none of these is creating crisis. (See Shah's return.)

Turkish Amb Dikerdem publicly stated Foreign Policy
would remain unchanged. (UNCLASSIFIED).

Opposition elements in Iran see Turkish coup as
another factor likely force Iran liberalize regime. (CONFIDENTIAL).

Comment: Assurances of no change in Turkish Foreign Policy
well received by Iran Gov.

Remains be seen whether coup in Turkey will have
effect liberalizing policies Iranian regime. Indications any such
development will be sought in forthcoming elections. (See internal).
(CONFIDENTIAL).

B. Iran-Iraq

Iraqi Amb-Designate Abd Al-Muttalib Amin arrived Teheran
June 1. (UNCLASSIFIED).

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According FonMin Aram, Iranian Amb-Designate Sadollah Azodi unwell and therefore reluctant proceed Baghdad promptly. Since replacement or delay in departure could be misunderstood in Iraqis, FonMin plans recommend Shah urge Azodi proceed immediately with prospect replacement later if health problem continues. (CONFIDENTIAL).

Comment: Exchange Ambassadors third important step after troop withdrawal and termination propaganda exchanges in return to normal relations successfully prompted by Turkish mediation in January (WEEKA 3). It is hoped Iran Gov decision establish its own port authority (WEEKA 21) on Shatt will not lead revival recriminations. (CONFIDENTIAL).

C. Iran-USSR

(1) General

FonMin told High Embassy Officer he does not expect any early Iran-Sov talks as Sovs asking too many concessions. (CONFIDENTIAL).

(2) Propaganda

Radio Moscow and NVI moderated more blatant attempts frighten Iran about collaboration with US, but continued point to close ties between Iran Gov and "US Military" saying main US aim bolster Shah who frightened of people. (UNCLASSIFIED).

Comment: Iran-Sov relations continue same old pattern last 18 months. Gov dominated press during past week, however, expressed underlying hope and possibility steps to improve relations may eventually occur. (CONFIDENTIAL).

D. Internal

(1) Shah's return.

Shah returned from European tour May 29. Said visit great success in making Europe aware Iran's progress. Said key to this progress is fact Iranian regime is "natural" one which permits all freedoms except those which would betray country or cause Chaos. Dictatorships never last because they do not reflect will of people. Every country, however, needs some power above all parties and institutions to settle serious differences. Iran has such a power and should be thankful for resultant stability. Although crowd obviously rounded up, groups welcoming Shah appeared pleased see him again. (OFFICIAL USE ONLY).

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Comment:

With return Shah political activities can be expected increased. Shah obviously referring to Turkey in comments and wants all to know no chance for such action in Iran. (OFFICIAL USE ONLY).

(2) Majlis

Majlis moving at slightly stepped-up pace toward June 10 expiration date. Important bills being passed without even full reading; some of more long-term interest, however, will not be approved. Final approval given June 1 to bill increasing number deputies for next Majlis from 136 to 200. One-year trial approval granted Landlord - Tenant Relations Bill bringing into existence first comprehensive legal statements on this subject ever attempted here. Senate not moving as fast as Majlis; its session will continue to June 21. (OFFICIAL USE ONLY).

Comment: At behest Shah Parliament endeavoring act upon most important legislation before adjournment. (OUO).

(3) Elections

Formal decree not yet issued; papers state Shah has ordered preliminaries be arranged and that elections begin Late June. As elections draw nearer, rumors of cab changes increase. (UNCLASSIFIED).

Comment: Reports increasing that, as Lesson Turkish Coup, elections likely be less controlled than originally planned. Free choice between two slates of Shah-approved candidates closest thing to free elections that can be expected. (CONFIDENTIAL).

(4) Banking Legislation passed

Parliamentary Committees May 25 gave final approval highly important new banking and monetary legislation. Assuming early signature Shah, Central Bank and Monetary-Credit Control Council may be established within six-seven months. Release gold and foreign exchange from note cover may be possible earlier. (Ref Emb Airgram G-189.) (OFFICIAL USE ONLY).

Comment: None

(5) Land reform

Reliably reported that group in charge implementation recently passed Land Distribution Bill instructed distribute little or no land during current Iranian year owing lack funds this purpose. (OUO).

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Comment: Many other causes for inability implement this measure, notably lack Nation-Wide Cadastral Survey. (OUO)

(6) Steel Mill Developments.

Rumor widespread Teheran that Industries Minister Sharif-Emami while in Europe with Shah signed contracts with Demag-Krupp and Mecro for construction and financing of 300,000 ton steel mill at Azna. (OFFICIAL USE ONLY).

Comment: Under terms Dez Dam Loan, GOI obligated inform Ibrd prior undertaking new foreign debt obligations. Although Sharif-Emami had been authorized by Cabinet sign Steel Mill Contracts, his authority limited by Rider recognizing obligation to Ibrd. No notification to Ibrd to date. (OFFICIAL USE ONLY).

(7) Efforts prepare Stabilization Program.

Cabinet efforts develop Economic and Financial Stabilization Program continuing with seemingly favorable results. (See WEEKA 21) upon return from Europe Shah reiterated agreement in principle stabilization concept and idea of conducting joint discussions in Washington Iranian Economic and Financial problems. Cabinet meeting scheduled June 6 with Shah this subject. (CONFIDENTIAL)

Comment: Deputy Prime Minister Hedayat, Commerce Minister Mansur and Bank Melli Governor Kashani have become increasingly insistent that meaningful measures be adopted. Indications are that all three may be prepared resign if Reform Program not adopted. (CONFIDENTIAL).

2. Psychological.

A. Press and Radio

(1) Turkish Coup.

Only five papers commenting. After cautious start, most opined Coup logical outcome revolutionary movements spurred by undemocratic repressive practices Menderes regime. Kayhan stated people welcomed Army action; Ettela'At said Coup opened up bright horizon Turkish people. Most papers, Ettela'At and Kayhan repeatedly, stressed internal political changes could not affect Turkish Foreign Policy, welcomed Gursel statements continued adherence NATO, CENTO

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commitments, Kayhan noting this necessary result Turkey's geographical situation. Ettela'At optimistic Democratic regime will be outcome; Kayhan hopeful but uncertain. Parallel with military regimes other ME countries drawn by Kayhan and Vahemeh, minimized by Ettela'At. Maverick Atesh claimed Coup not result conflict of two parties but result Menderes post-Summit confirmation intention visit Moscow, creating blind alley only exit from which was Coup. (OFFICIAL USE ONLY).

Comment: When news broke Ministry Interior censored wire services, issued approved version suppressing info Menderes arrest. Censorship apparently subsequently lifted, though editorial comment still ignored arrests. (CONFIDENTIAL).

(2) Return of Shah.

Papers vie in praising returning Monarch, extolling justice, Democracy his rule, affection of people. Several pleased Shah's visit had raised Iranian prestige in West. Some comment influenced by Turkish developments, Poste Teheran avowing that since there no possibility treason in Iran and no disorderly actions allowed, nothing can disturb progress toward prosperity. Ettela'At drew direct parallels, interpreted Shah's arrival statement as meaning Turkish Coup resulted lack authority superior to Government. Shah represents superior force, can prohibit repression on part one party by removing it from Government. Monarchy safety valve which controls pressure from Legislative, Executive, Judicial Branches. (UNCLASSIFIED).

Comment: Officially line is it can't happen here. (OUO).

(3) Iran-Soviet relations.

Kayhan, Arezu, noting Gromyko omission Iran from countries with U-2 Bases, hopeful for improvement relations soon. Iran not prepared however sacrifice independence, prestige, or CENTO connections. (UNCLASSIFIED).

Comment: None.

(4) End 19th Majlis.

Sedaye Mardom, Nur Va Zolmat welcomed impending closing Majlis, claiming it never close to people, stating some deputies used Parliament to fatten bank balances. Sedaye Mardom pleads for growth freedom equal to material growth; building bridges, factories not enough. (UNCLASSIFIED).

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Comment: None

(5) Rhee exile

Only Jahan commented, claiming flight upset good opinion generated by U. S. withdrawal support Rhee regime, fed Red propaganda machine chance to represent Rhee to world as devoted agent U. S. Government. (UNCLASSIFIED).

Comment: None

(6) Pro-British sentiment.

Irane MA devoted long editorial to thesis many enlightened Iranians previously not notably pro-British are changing attitudes, support for respect, friendship between Iran-Britain becoming increasingly popular. Noted in view Russian pressures, only logical Iran draw closer not only U. S. but U. S. allies Britain, France. (UNCLASSIFIED).

Comment: Rarity in Iranian press. (UNCLASSIFIED)

3. Military

A. Army

(1) Subversive literature.

On 31 May, American Community Teheran, especially military, again hit with anonymous anti-American subversive hand-printed leaflets (WEEKA 20). "Yankee Go Home" theme used again but, unlike previous leaflets attempt made give impression that originators are Iranian patriots seeking Democratic Republic and independence. US charged with aggressive diplomacy in support dictators, tyranny. Distribution technique same as previously used. (CI-65-60) (CONF).

Iranian Security Agencies investigating but with negative results to date; suspicious, however, that Armenian drafted leaflets. (CONFIDENTIAL).

(CONF). Comment: Armenians traditionally suspect in matters like this.

(2) Orientation visits.

Students Command General Staff College, advance Classes Inf Center and Mil Univ preparing depart coming week for orientation visits primary IIA Defense positions northern perimeter Iran. Visits annual affair, approximately 4 to 6 weeks, represent

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final phase instruction and means utilized by IIA familiarize officers with Iranian Topography from ground. Following visit, Staff College students return Teheran, receive leave and graduate in official ceremony early September. Gen Shaprokshahi, Comdt, Staff College, presently on leave for two months in Berlin, Germany. (CONFIDENTIAL).

Comment: Greater emphasis given this year on visits these officers to new mil construction and prepared defensive positions facing USSR in North. (CONFIDENTIAL).

B. Navy: Negative.

C. Air: Negative.

ACTION: ACS1

INFO : DCSOP, OSA, JIG, OSD, AF, NAVY, STATE

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SGD WAILLES

1. Political

A. Internal

(1) Shah's comments

In June 5 audience for Majlis and Senate. Shah said Majlis elections would be free under two party system, except for traitors, that he had no objection election of independents if they of national stature, that next gov must rely on parliamentary majority with Shah making sure program carried out, that if either gov or parliament does not carry out responsibilities they will be dismissed. Shah also recounted European trip and gave long historical review his reign, pointing out internal stability Iran in comparison other middle east countries and impartial nature of monarchy. (OFFICIAL USE ONLY) comment: there also reports that Shah has told several people recently he planning to withdraw from control day-to-day gov affairs, limiting his control to defense and foreign policy. Statements such as this and promise of free elections prove Shah undoubtedly aware popular Iranian criticisms and causes Turkish coup. However considering slight results previous promises of reform, Emb must take wait-and-see attitude on these new statements. (CONF)

(2) Majlis

Last session 19th Majlis held June 9. completing 4-year term. PriMin Egbal addressed closing session. During last week deputies completed action on all bills essential for continuing functions of gov, although number of lesser bills not acted upon. Lar-Latian Dam Bill passed. (UNCLASSIFIED)

Comment: None

(3) Dez Dam Loan Enacted (WEEKA 21)

Late last week parliament approved \$42 million IBRD loan to cover foreign exchange component of Dez Dam project in Khuzistan. (UNCLASSIFIED)

Comment: Deputy prime minister Khosro Hedayat displayed considerable skill in steering bill through parliamentary committees. Among other things, bill authorizes establishment of Khuzistan

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water and power authority with broad powers in respect to land ownership and water usage. Since it is intended use this legislation as model for other sections of country, land owning element in parliament viewed Dez bill with concern. (OFFICIAL USE ONLY)

(4) Uncertain status of steelmill project (WEEKA 22)

Last week's widespread rumors that industries minister Sharif-Emami signed contracts while in Europe for construction Azna steel mill project have been matched this week by rumors that impasse has been reached in negotiations with Germans and British. (UNCLASSIFIED)

Comment: Sharif-Emami has refused tell even Cab what occurred while he in Europe. Appears doubtful, however, that construction and financing contracts have been signed. (OFFICIAL USE ONLY)

(5) Proposed stabilization measures (WEEKA 22) a select Cab committee conferred with Shah June 6, outlining analysis of economic situation and indicating corrective course of action deemed necessary. Segments of discussion were subsequently leaked to press with apparent disquieting effects among commercial community. (CONFIDENTIAL)

Comment: A full report on discussion with Shah not yet available. However, information obtained would indicate finance minister Zarqam was able stall efforts of proponents of immediate stabilization program to obtain Shah's authorization to proceed immediately. (CONFIDENTIAL)

(6) Iran-Soviet barter agreement

Iran-Sov barter agreement concluded June 2.

Agreement valid for one year, beginning April 1, 1960. Maximum permissive trade level about \$26.2 million each way slightly less than previous year. (OFFICIAL USE ONLY)

Comment: No significant change in trade items. On whole GOI satisfied with attitude Sov negotiators, results agreement. (OFFICIAL USE ONLY)

B. Iran-USSR

(1) General

Tehran papers report and forming source confirms that Iran gov considering recall Amb Masud-Ansari from Moscow in retaliation long absence Amb Pe Gov from Tehran. (OFFICIAL USE ONLY)

(2) Propaganda

Radio Moscow and NVI continued heavy play on US involvement in Iran, Shah's corruption, immorality, dictatorial actions, and dependence on US. NVI says Shah lied when promised free elections for if such held, Shah's candidates would receive not one vote. (UNCLASSIFIED)

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Comment: None.

C. Iran-Iraq

June 6 FonMin Aram told our Amb he most favorably impressed with Iraqi Amb-Designat Amin and feels there is real hope of making progress on Shatt Al-Arab and other problems. Conversations expected begin soon after Amin presents credentials. Said Shah not yet decided whether allow Iranian Amb-Designate Azodi postpone departure for Baghdad (WEEKA 22). (CONFIDENTIAL)

Press reported Amin will present credentials June 9. Indicated Azodi will depart soon after audience with Shah scheduled June 11. (UNCLASSIFIED)

Comment: None.

D. Visit of Afghan press officials.

Afghan press officials stopover Tehran June 5-8 enroute West Germany. In interview with Kayhan International, June 8, Dr. Soheil, Director Afghan Dept of Info and Publications, asserted Iran-Afghan relations marked by good faith in peaceful solution of mutual problems. Indicated Helmand dispute settled already by impartial council. Declared Afghanistan wants peaceful settlement of border issue with Pakistan and scored PM Macmillan for British interference in Pak-Afghan relations, referring to parliamentary discussion of Durand line. Added this would lead to worsening of relations between two countries. (UNCLASSIFIED)

Comment: Helmand issue far from settled at last negotiation (WEEKA 12). Possible Soheil misquoted. (OFFICIAL USE ONLY)

2. Psychological

A. Press and radio

(1) Elections

Shah's promise of free elections widely applauded. Several papers call for election truly representative parliament, Donya and Azarin complaining 19th maj is consisted only rich people. Peigame Emruz claims new deputies must come from young educated class whose merits not money but ability, hard work. Also called for granting vote to more people, while Ettela'at insisted vote be given only to literate. Jahan frankly skeptical whole deal, noting "fair" election to be conducted by same people accustomed in past to manipulating elections and that one previous rigged election conducted by Ministry Interior when it headed by Egbal. Ettela'at claims statements Egbal's govt will manipulate elections not sound since monarch will prevent excesses. (UNCLASSIFIED)

Comment: Even most optimistic editorials cannot hide "I'm from Missouri" attitude. (OFFICIAL USE ONLY)

(2) New Iraqi Ambassador

Four papers hail arrival Amin, all noting necessity now to settle existing differences. Ettela'at waxes ecstatic over precious blessings good neighbor, asks why not be friends since majority people of

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Iraq are Iranians attracted to Iraq by shrines and remaining there. Jahan warns Iraq to conduct relations "without letting any foreign government influence her judgment". Ettela'at also calls for development strong foundation friendship "so that foreigners may not cause division between two countries". (UNCLASSIFIED)

Comment: None

(3) Turkey

Only comment in Keyhan. Chiefly notable for repeated insistence Mullahs responsible for lack of progress Turkey. Noting both parties failed, paper suggests if Gursel carries out sound social programs may be able remove political parties from scene. (UNCLASSIFIED)

(4) Disarmament

Ettela'at notes new Russian proposal same as before, only clarified. Keyhan notes Russian insistence elimination American bases, predicts rejection of plan by west. (UNCLASSIFIED)

Comment: None.

(5) Iran-Soviet

Iran MA Noes West German NATO Representative statement that Allies must stand together in cold as well as hot war, and claims since Soviet hostility toward Iran result Iran-U.S. friendship CENTO Allies must align selves in single front against Russian attacks.

Big papers still printing replies to Radio Moscow.

(UNCLASSIFIED)

Comment: None

3. Military

A. Army

(1) Visit Jordanian CINC

Lt Gen Jabes Al-Majali, CINC, Jordan Armed Forces, arrived Tehran 6 June for approx one week visit as guest Iranian Army. Visits to Iranian Mil Schools, units and facilities scheduled. IIAF acro jet team staged air display. (UNCLASSIFIED)

Comment: Visit on heels recent visit King Jordan probably reflects intent establish closer military ties between Jordan-Iran. (OFFICIAL USE ONLY)

(2) Gen Hedayat trip

Gen Abdollah Hedayat, Chief, SCS, accompanied by wife, departing Iran 13 June for one month visit Switzerland. Purpose medical treatment, rest, rehabilitation. (OFFICIAL USE ONLY)

Comment: Visit represents annual physical check-up since heart attack over year ago. (OFFICIAL USE ONLY)

B. Navy

(1) USS Valcour visit

USS Valcour completed four day operational visit Bandar Abbas 8 June. (UNCLASSIFIED)

Comment: None

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(2) MSCS arrive Iran

On 7 June Chief ARMISH/MAAG M/Gen Hayden officially welcomed MSCS 275 and 276 arrival Iran. V/Adm Shahin Iin made acceptance speech on behalf Shah. (UNCL)

Comment: Both ships appear good condition and well manned. Result long open water voyage is requirement for caulking and related hull maintenance which should present problem. Ceremony well attended and Iin speeches all reflected respect for quality of U. S. training. (CONFIDENTIAL)

(3) Port Director for Shatt Al-Arab

The new port director for Khorramshahr-Abadan is ex Iranian naval officer (FNU) Moqadam who apparently has grasp technical problems. (OFFICIAL USE ONLY)

Comment: None

C. Air

(1) Iran to host navigation conference

Representatives from 30 countries will participate in air navigation conference which will be held in Tehran 20 June. All Middle East countries including Iraq, UAR, Pakistan, Turkey and India will take part. Conference will discuss free flights between countries and more facilities for passengers. Most airlines are expected to send representatives. Iranian delegation will be headed by General Eshtodakh. No representatives from Soviet Union or other East European countries expected to attend. (UNCLASSIFIED)

Comment: None

ACTION: ACS I

INFO: DCSOP, OSA, JIG, OSD, AF, NAVY, STATE

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SGD WAILES
1. Political

A. Internal

(1) Election Campaign (WEEKA 24)

Majlis election campaign began 16 June with Alam's speech Mardm rally Kashan. PM Egbal opened Mellix Ncamaugn meshed 18 June, has so far visited Zahedan, Kerman, Isfahan in course ten-day tour eleven provincial capitals. Candidate lists not yet published.

Independent group centered around Ali Amini organizing for elections. Quoted in press as saying since Shah promised free elections this obviously included them. (UNCLASS)

Comment: Independents' attempt to run despite official discouragement independent candidacies most interesting development to date. Independents have posed dilemma for regime which will be hard pressed to prevent at least some independent candidacies after so much talk "free" elections. Some talk Alaysar Saleh being urged run as independent. This would be even more awkward for regime. Lacklustre Melliyun, Marb. campaigns characterized by extravagant praise of Shah, attempts to vilify each other. PM and Alam, however, avoiding personalities, leaving this to their party Secretariats and newspapers. Approval of candidates awaiting Shah's return from vacation. Still great skepticism elections will be free. (CONFIDENTIAL)

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(2) Economic Stabilization Program.

GOI Ministerial delegation left for Washington this week participate joint discussion with US and international agencies regard to Iranian economic situation and related questions of GOI stabilization program, trade policy and need for foreign financing. Irandel composed of Deputy PriMin Hedayat, Commin Mansur and bank Belli Gov Kashani. (CONFIDENTIAL)

Comment: Measures approved by Shah and now in process implementation should have beneficial effects re stability of economy. These include complete balance current and future fiscal budget, restrictions on growth GOI expenditures, and prohibition short-term GOI borrowing for investment projects. While these measures inherently beneficial, difficult political and economic problems will result unless GOI successful obtaining long-term credits complete second seven year plan. (CONFIDENTIAL)

(3) Senate Adjourns

Senate adjourned 20 June until early October. No announcement yet made but elections for 15 vacant elective seats will be held during summer, perhaps coinciding with Majlis elections. (UNCLASSIFIED)

(4) Women's Rights

Annual meeting International Alliance of Women convened Tehran June 20. Ceylon delegate and IAW Pres Ezlynn Deraniyagala reviewed progress, declared IAW originally formed get vote for women, has since opposed discrimination political, economic fields, desires establish international understanding and coordination. Safiyeh Firouz, Iranian delegate, asserted everything being done to ensure an early franchise for women in Iran and hoped efforts of alliance would soon bear fruit. Ex-Fon Min Jalal Abdoh addressed opening session, endorsed IAW aims but suggested alliance attempt obtain civic rights and emphasize community development before taking up fight for political rights. Urged influence be exerted through UN commission on status of women. (UNCLASSIFIED)

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Comment: An "early franchise" refers to a distant hope. (OUO)

(5) Inaugural Flight New Iranian Airline.

Inaugural flight new Iranian international air carrier, Persian Air Service, occurred 22 June. New carrier will serve Genoa, Paris, other European stops twice weekly using DC-7C's. (UNCLASSIFIED)

Comment: PAS managed and service by Sabena. PAS may emerge as national flag carrier amalgamating Iran Air and Pars. Efforts this direction occurring present time under GOI pressure. (OFFICIAL USE ONLY)

(6) Karaj Dam Fatality (WEEKA 14, 16)

Iranian workman was killed in serious rock slide in Quarry at Karaj Dam 16 June. (UNCLASSIFIED)

Comment: Although no identified adverse labor reaction similar difficulty last April, Morrison-Knudson International Dam contractors having bad luck and position vis-a-vis Government not improved this incident. (OFFICIAL USE ONLY)

(7) Shah's Vacation

Shah, Queen continue Caspian vacation returning possibly June 25. (UNCLASSIFIED)

B. Iran-USSR

(1) Reply to Sov Aide Memoire (WEEKA 20, 21)

FonOff informed US reply to Sov Aide Memoire 14 May re CENO air exercises delivered Moscow 18 June, Iranians said defensive measures not subject to comment or attempted interference foreign Govts. Also said Art V Sov-Iran treaty 1921 no longer valid. FonOff source believes this first time GOI has officially and formally

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stated this view. (CONFIDENTIAL)

(2) Propaganda (WEEKA 24)

Radio Moscow said acquittal of American "murderer" Major Bourke result of intervention of American militarists with Iranian judiciary. Thousands of Americans flood Iran, treat it as colony, refuse obey court verdicts. Many Iranian officers disaffected because Americans control Iranian army. Continued theme that Shah's regime uneasy following events Turkey, Korea, Japan, said even Americans expect bankruptcy and overthrow of their tool. NVI commented on President's Far East trip saying Kishi's difficulties pre-saged difficulties for Shah and Egbal since they pursuing same anti-national policy, serving as mercenaries of imperialism. (UNCLASSIFIED)

Comment: Bourke acquitted 11 June, received notice no appeal 20 June, departed Iran 22 June. (OFFICIAL USE ONLY)

C. Iran-Iraq

Iranian Amb designate Azodi leaves for Baghdad June 25. Departure preceded by exchange of entertainment with Iraq Emb and distinguished Iranian and diplomatic officials. (UNCLASSIFIED)

Comment: Exchange of ambassadors being effected with apparent maximum goodwill. (UNCLASSIFIED)

3. Psychological

A. Press and Radio

(1) Elections

Elections dominated editorials. Several papers noted public's lack interest in campaign, attributed it to lack of belief in reality free elections. Some demanded people quit

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PAGE 5

asking be spoon-fed, take promises of free elections at face value, get out and vote, Kayhan stating "We do not advocate rebellion, nor urge you get rights by force. But once offered your due rights take them." Several small papers remain frankly skeptical whole business, while Pollyanna Ettela'at pleaded for clean campaign, fair play, noting popular skepticism justified. Jahan said vote for ideas, not people, asked which party will promise take back Bahrein, give women their rights, unite Kurds under Iranian rule, shift tax burden from low income groups, promise students jobs. Since speakers don't mention issues, people have no basis make voting decision. (OFFICIAL USE ONLY)

(2) Japan; Eisenhower Trip

Comment largely confined large papers. Ettela'at, though noting Socialists achieved victory in cancellation Japan visit, praised Kishi firmness, wise statesmanship. Opined cancellation wise step and that Far East trip effectively strengthened U.S. position except Japan. Queried validity of pact allowed become effective by default. Kayhan stated Kishi resignation necessary; since successor must respect public opinion, adopt more neutral policy, effective implementation pact questionable. Japanese blow U.S. prestige affected Eisenhower visit, other countries, will doubtless weaken friendly regimes Laos, South Korea, Philippines. Sedaye Mardom, noting student role Japan, drew parallel Korea, Turkey, stressed importance young generation to future underdeveloped countries, noted Iranians must learn lesson, realize responsibility guiding youths, preventing their becoming prey to pessimism, despair, revolutionary ideas. (UNCLASSIFIED)

(3) Turkey

Scant comment. Ettela'at happily noted requirement of new constitution designed prevent enrichment government officials. Kayhan objected to merging under junta of executive and legislative branches, opined Turkish officers in no hurry give up power. (UNCLASSIFIED)

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3. Military

A. Army

(1) Increased pay for officers and NCO's

Officers and NCO's of armed forces scheduled received monthly pay increase effective 22 Jun 60 (Persian month 1 Tir 1339). Amount for officers is based upon educational qualifications, e.g., college graduates will receive monthly increase of 2000 rials; non-college graduates 1000 rials; all NCO's 600 rials. (UNCLASSIFIED)

Comment: Apparent reason for increase is improve morale, welfare and standards for officers and NCO's of armed forces. Source of money for pay increase unknown. (OUO)

(2) Summer training

On 22 Jun, IIA moved from garrison areas to summer training sites. Practice alert held in conjunction with move. Summer training period reduced from 13 to 8 weeks. (UNCLASSIFIED)

Comment: Practice alert was combined with move to save POL. Five-week reduction in summer training due to POL limitations (OFFICIAL USE ONLY)

B. Navy

Negative.

C. Air

(1) IIAF F-84 accident.

On 15 June at 1815 hours IIAF F-84 flying night mission from Mehrabad aborted take-off, ran through runway barrier, overrun and hit a MKO water truck killing

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2 workers. The F-84 was completely demolished; however, the pilot escaped injury. IIAF officials state cause of accident was water truck and will try to collect damages from MKO.
(CONFIDENTIAL)

(2) IIAF C-47 accident.

On 18 June 2 IIAF C-47s which were scheduled for paratroop air drop on 19 June were severely damaged at Doshen Tappeh by extremely high winds. Paradrop was cancelled due to accident. (CONFIDENTIAL)

Comment: IIAF could not muster 2 additional C-47s to complete mission. (CONFIDENTIAL)

(3) Regional ICAO Conference. (See Political)

ICAO Conference opened Tehran 21 June. UK, Sweden, Pakistan, Israel, and Iran attending. Arab countries, Turkey and Afghanistan invited but did not attend. Conference is for Middle East countries; however, with Arab Bloc countries, Turkey and Afghanistan not attending it looks like the conference will not be fully successful. IR follows. (CONFIDENTIAL)

ACTION: ACSI

INFO : DCSOP, OSA, JIG, OSD, AF, NAVY, STATE

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NR : 090525Z JOINT WEEKA 27 JUL 60

STATE CONFIDENTIAL
SGD WAILES.
1. Political
A. Internal

1. Elections (WEEKA 26)

Electioneering came to virtual standstill over Moharam mourning days (July 4-5). Proclamation of Alayer Saleh, refused publication by Savak last week, now being circulated privately with no apparent objection on part of authorities. Independents under lead of Ali Amini continued campaign in Tehran with unofficial appearance at Moharam mourning ceremonies. (CONFIDENTIAL)

Comment: All important questions this election still remain unanswered: Who will run, when elections will start, actual degree of freedom to be allowed, and whether participation of independents and Alayer Saleh's Iran party group to be permitted. (CONFIDENTIAL)

2. Initial results stabilization discussion

Washington.

Under instructions Amb July 3 conveyed to Shah initial favorable reactions US Govt to economic-financial discussions Washington between GOI ministerial del and reps US Govt, IMF and IBRD. Cited decisions re \$17.5 million IMF drawing, agreement consult IMF, tentative decisions re US-Iran bilateral trade agreement, and tentative schedule loan negotiations as indications success GOI mission. (CONFIDENTIAL)

Comment: Shah expressed pleasure outcome Washington discussions and intent implement stabilization program. (CONFIDENTIAL)

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3. Azna Steel Mill Project nears signature
(WEEKA 22)

Minister of Industries, Sharif-Emami, is on verge signing final construction and financing contracts Azna Steel Mill Project. Contracts signed this week with Scandia consults, Swedish consulting firm, to supervise construction and manage the mill.

Comment: Final signature all contracts scheduled July 7 but IBRD intervention thru US Govt apparently will result delay at least 15 days while technical views IBRD this project examined by GOI. (OFFICIAL USE ONLY)

4. Shah returns (WEEKA 26)

Shah, Queen returned to Tehran July 2 after nearly 3-week Caspian vacation. Entertained Nepalese King and Queen during their 30-hour Tehran stopover. Later in week Shah participated Moharam mourning gatherings. (UNCLASSIFIED)

Comment: Vacation unusually long and adds some substance reports doctors told him rest more. (CONFIDENTIAL)

II. Psychological

A. Press and radio

1. Moharam holidays

High holidays of Moharam mourning period heavily curtailed media activities. Two principal dailies published four days, other dailies only two or three. Iran-TV shut down entirely. Radio programming reduced to religious materials, newscasts. (UNCLASSIFIED.)

2. Elections

Elections still dominated such small comment as appeared, largely rehash of old ideas. Peike Iran doubted propriety attempts some politicians to attract attention through personal attacks, while Keyhan insisted "healthy" criticism vital tool in two-party system whereby minority keeps majority on toes. Small papers still worried about public indifference, two claiming pessimists who hark back to lack freedom previous elections do country present disservice by discouraging interest and vote. Sedaye Mardom (independent) claims only through participation by independents

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can elections really be free. (UNCLASSIFIED)

3. Iran-Iraq

Departure Iranian Ambassador Azodi for Baghdad occasioned editorials four papers, three noting deterioration relations exacerbated by foreign interference, Farman specifying Communists. Jehan claimed original breakdown caused by "tragic massacre Iraq Royal family", which Iran chooses now to consider "unpleasant internal issue". (UNCLASSIFIED)

Comment: Characteristic of all comment this subject is fact that almost all papers, though apparently optimistic and pleased, unable resist temptation to throw blame on Iraq or, at least, to damn with faint praise. (OFFICIAL USE ONLY)

4. Student Problem

Iran Ma, Ettela'At published similar editorials on problems secondary school graduates who, unable enter Iranian Universities, at best go abroad, taking away foreign exchange, often remaining abroad, at worst become loafers and troublemakers. Ettela'At pleads for more vocational schools and provincial universities; Iran Ma calls for raising standards of Iranian secondary schools so grads will be good for something, also rejoices at establishment by "Germans" of modern private university in Tehran, believing competition will benefit all universities. (OFFICIAL USE ONLY)

Comment: Embassy had not previously heard rumor of "German" university. This possibly confused version of new private university reported Embassy despatch 830, June 21 which unashamedly seeking foreign support.

Continued worry over unoccupied students justified but more universities not effective solution as economy ill able to absorb non-technical university graduates as is. Ettela'At trade school solution resembles that of USSR, which faces analogous problem. (CONFIDENTIAL)

5. US foreign policy

Keyhan claimed President's visit could not improve undesirable situation for US in Far East: Noted disunity existing among Western powers and worsening international situation, opined no improvement possible soon.

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Donyaye Jadid in long editorial stemming from US involvement Menderes Govt blasted US policy of "bankrupt, lend, and fule", claiming US assistance involved emptying Iranian treasury, pouring it into pockets of advisers and squandering it on useless things, forcing government to over-extend itself in borrowing, become dependent upon US which then imposes its will. This policy typical of US aid program in all weak countries. Jehan claimed Menderes, counting on US-British support, felt secure in suppressing national movement, claimed Iran must learn lesson from Turkey, Pakistan, and try to avoid similar mistakes, taking not only needs of people, but "national traditions" into consideration. (UNCLASSIFIED)

Comment: Although prejudice expressed Donyaye Jadid enjoys some currency among certain elements Iranian intelligentsia, rarely appears in print. Publisher, Hafezi, is opportunistic fence-straddler, anxious to protect his position "just in case". Paper several times suppressed, heading for it again. Publisher Jehan, Bmjad, is pro-Shah, reference to national traditions indicates monarchy. (CONFIDENTIAL)

6. Embassy accused of anti-communist activities.

Clandestine national voice of Iran claimed UPI reported radio Tehran, "in cooperation with American Embassy", added new anti-communist program to schedule. (UNCLASSIFIED)

Comment: UPI correspondent here did write story on cold war between Iran-USSR, noted radio Iran was adding new anti-communist programs. Story made no mention of Embassy. (UNCLASSIFIED)

III. Military

A. Army

1. Iraqi Kurds enter Iran

Unknown number Iraqi Kurds crossed Iran-Iraq border and surrounded Iranian Gendarmerie Company post at Dudan. One Gendarme injured during fire fight. Iranian Army has now supposedly taken over area. (CI-73-60)(C)

Comment: J-2, SCS, as of 7 July, had no information concerning this skirmish. Most probably a

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sporadic tribal raid. (CONFIDENTIAL)

2. Parachute Bn.

ARMA, asst ARMA and SA to Amb for MDAP visited IIA Parachute Bn. Tehran, 6 July. Unit equipment, facilities and various phases of parachute and special forces training were observed. (OFFICIAL USE ONLY)

Comment: This unit appears to be well trained. However, insufficient means to transport parachute troops from battalion area to departure airfield and shortage of transport aircraft impedes overall effectiveness and combat readiness of the battalion. (CONFIDENTIAL)

3. Gen Kia returns.

Lt Gen Haji Kia, J-2, SCS returned to Tehran 5 July after 2-month trip to Europe and U.S. (C1-49-60). (UNCLASSIFIED).

Comment: Kia reportedly well satisfied with U.S. portion of trip. (OFFICIAL USE ONLY)

B. Navy
Negative

C. Air
Negative

ACTION: ACS1

INFO : DCSOP, OSA, JIG, OSD, AF, NAVY, STATE

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STATE CONFIDENTIAL
SGD WAILES
1. Political
A. Internal

(1) Elections (WEEKA 27)

Candidate lists and date of election
still unannounced. Official parties holding rallies Tehran
but arousing little interest. Amini and other independents
also holding meetings which seem attract more attention.
Alayer Saleh received warm reception Kashan on trip in con-
nection his candidacy. Mosadeqists like Hosein Maki and
Mozafer Baqai have announced candidacies. (UNCLASS)

Comment: Wide latitude thus far given indepen-
dents and those associated with Mosadeq gives substance belief
there may be fairly wide participation on part those without
party affiliations. Delay in announcing elections result of
discussions within Melliyun Party of composition of Lisat
possibly debate within Government on degree of participation
to be allowed independents. (CONF)

(2) Latian Dam Contract Signed.

Tehran water authority signed con-
tract July 11 with French Consortium for construction and
financing Latian Dam situated 35 kilometers from Tehran.

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Cosz Dam reported \$27 million to be repaid over 15-year period. Construction time estimated five years. (UNCLASS)

Comment: Signature contract without prior discussion IBRD raises sensitive issue relations between Goinand Bank. Shah recently told Ambassador imperative proceed with project due growing water shortage Tehran. Said personally prepared defend merits project with IBRD or anyone else. (CONF)

(3) Basic Steel Mill Contract Initialed

Min Industries initialed basic contract for construction Azna Steel Mill July 7. Contract covers a general aspects construction and financing arrangements steel project. Will be supplemented later by series contracts dealing with provision service, equipment and materiel. (UNCLASS)

Comment: Although ample reason exists question technical soundness project and wisdom financing it on supplier credit basis, SEL MCBL has considerable political support in Iran. (OUO)

(4) GOI-IBRD Discussions Steel Mill

Project.

Min Industries, Sharif-Emami, will arrive Washington July 20 to discuss steel mill project with IBRD. (OUO)

Comment: Under instructions, Embassy conveyed to high levels GOI sensitive reaction IBRD to GOI decision proceed with steel mill without prior discussions with bank. Although GOI does not share bank's views of commitments which have been made in respect to consultations, Shah instructed Min Industries to review steel mill project with bank. This represents politically sensitive concession. (CONFIDENTIAL)

B. Iran-USSR (WEEKA 21)

There are number of reports of views, pressures re Sov proposals reportedly brought to Tehran by Amb Masud-Ansari. Ardeshir Zahedi reports he spoke

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strongly in opposition any negotiations, but stated there also many pro-neutralist pressures. Masud-Ansari said to be putting pressure for his return to Moscow with conciliatory reply, while FonMin Aram stated he opposed to any return for sometime. Massud-Ansari leaving today for 2-month European vacation, and Emb has been informed that any reply and return to Moscow will be delayed until end vacation. Aram has reported to Emb that Shah is concerned over internal criticism that GOI doing nothing about Sovs, but that Shah promised no negotiations would take place without prior consultations with Brit and US. (CONFIDENTIAL)

2. Psychological

A. Press and Radio

(1) Cuba-U.S.

Abundant comment largely not friendly to U.S., some hostile. General tendency to admire Castro for his audacity and success. Ettela'at, though noting U.S. apparently not opposed to Castro's economic reforms but rather was worried about Communism, oozed respect for man who rescued Cuban people from misery to which doomed by Batista and who merely wished to carry out economic promises. Noted U.S. unwilling to use Army "to force Cuba to militarily allied to her", had chosen economic pressure. Both Ettela'at and Keyhan drew parallel between Khrushchev threat and that issued during Suez crisis. Visra denoted US "determined to protect Cuba", Eisenhower's reply to Khrushchev "has spread the Cold War", implied U.S. was being frustrated in attempts to create anti-Castro incidents leading to his overthrow. Same themes echoed with variations by small papers. Vaheme noted "economic life of millions of poor and oppressed Cubans lay at mercy of inhuman Yankee Rich", commented that "in Atomic Age, imperialism has infiltrated countries under pretext of aiding backward countries", claimed every time someone did not "submit as slave to State Department" U.S. screamed Communist. Small weekly Marde Mabarez blasted Department for blunders all over world, amazed at U.S. persistence in errors, said that despite fact U.S. policy in some cases

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justified end result was that people, including well educated, tended to blame U.S. for tense international situation. Accused U.S. of strangling under developed peoples by getting hold of economy. Only Farman and Farda predicted U.S. would ultimately prevail. (OFFICIAL USE ONLY)

Comment: Sympathy for Castro probably widespread, especially as issue not understood. In Iran, with its small, weak country psychology, this reaction almost automatic. While educated classes will probably in time accept U.S. position and policy as correct, they will take some convincing. (OFFICIAL USE ONLY)

(2) Downing of RB-47

Ettela'at, Keyhan appeared to accept fact plane over Soviet territory, though former cautioned to wait for U.S. explanation. Both recalled threats to bomb bases for spy planes, Keyhan remarking "this time plane did not take off from Pakistan or Turkey, to make it easy for Russia, but...from England". Compared Russia, U.S. with key bazaar merchants squatting before shops cursing each other but neither daring strike blow. (UNCLASS)

(3) U.S. Imperialism in Iran

Donyaye Jadid for second week running scored U.S. activities in Iran. Attacking plan org, claimed entire oil proceeds, loans from U.S. based by plan org.; since Mongol invasion no one has played so much havoc as former Director Ebtehaj. Key economic positions should not be entrusted "to gum chewers and rock-and-roll dancers who have adopted American customs". Asked readers to pray God "to protect our country's finances from Foreign Advisors". (UNCLASS)

Comment: See last WEEKA (UNCLASS)

(4) Congo Rebellion

Though widely scare-headlined, scant comment. Keyhan feared events would frustrate hopes other

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Africans for freedom Ettela. At that South Africa would capitalize on them to justify racial discrimination. Keyhan claimed Belgians started trouble, predicted new state would successfully defend its freedom. (UNCLASS)

(5) Elections

Comment still heavy, mostly repeating old themes. Ettela'at, though in one editorial repeating its claim educated will stay away from polls since votes will be swamped with illiterates, in another noted that regardless of any other imperfections in system, if good candidates are put up results will perforce be satisfactory; therefore burden now rests entirely on parties and independent groups to produce. Jehan more pessimistic, feeling that since parties will not produce good candidates results will necessarily be bad; what good is honest competition, fair elections, when candidates represent same old special interests: (UNCLASS)

Comment: Papers appear to have begun to accept as fact that some independents will be permitted to run. There is current of irritation and skepticism bred by delay in announcing candidates and date of election. (OFFICIAL USE ONLY)

B. Iranian Information Service

Ettela'at July 12 announced decree of council of Ministers providing for sending by Department of Press and Broadcasting of Press Attaches to ten "capitals"; Washington, London, Paris, Moscow, Cologne, Beirut, Karachi, Baghdad, Istanbul, and Kabul. Will be furnished materials in French and English from Tehran, will issue in foreign capitals thrice-weekly bulletins on Iran, place films in theaters and on TV. Will also function as pars news agency reporters. Attaches to depart in about a month. (UNCLASS)

Comment: Embassy doubts that much action will take place within month. Fine arts Department adequately

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equipped technically to produce good color films for this use. Presently produces newsreels largely devoted Shah and Government (too dull for information purposes), occasional documentarie. If Fineharts can be persuaded cooperate good results possible. (OFFICIAL USE ONLY)

C. Radio Moscow and NVI

Radio Moscow comment that Shah ignore lesson of South Korea and Japan about danger of foreign bases. Secretary Brucker coming to see how Shah and Stooges are carrying out responsibilities under bilateral to turn Iran into base for aggression by American militarists. NVI says confiscation US, Brit refineries in Cuba a good example for Iranians who have same problem with US, Brit monopolists controlling oil industry. (UNCLASS)

3. Military

A. Army

(1) Early Release IIA Conscripts

IIA announced 21,500 conscripts will be discharged 23 July, approx 1 month before normal ETS. (UNCLASSIFIED)

Comment: Early release program designed maintain IIA within strength and budgetary ceilings. (OFFICIAL USE ONLY)

(2) Army Secretary's Visit to Iran

Secretary Army Wilber Brucker scheduled arrive Tehran 1715 hours, 15 July 1960. While visiting Iran, Secretary Brucker will hold conferences with Shah, Minister of War, will visit IIA units and facilities. Departs Tehran 170800 July. (OFFICIAL USE ONLY)

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NR : 160800Z

PAGE 7

Comment: Secretary currently conducting
inspection visits to Europe, Middle East, and North Africa
during period 1-19 July 1960. (OFFICIAL USE ONLY)

B. Navy

Negative

C. Air Force

Negative

ACTION: ACS1

INFO: DCSOP, OSA, JIG, OSD, AF, NAVY, STATE

DA IN 25292

(17 Jul 60)

jrp/9

SCD FORM
8 JUN 56

35-2

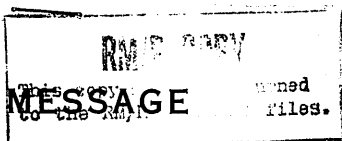
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COMFAIRELM, USAF WIESBADEN GERMANY, COMDR 17 AF
GERMANY, COMDR 2D ADIV DHAHRAN SAUDI ARABIA

NR: 211215Z

JW 29

JUL 60

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SGD WAILES

1. Political

A. Internal (WEEKA 28)

(1) Elections

Melliyn candidate list announced except for
15 Tehran seats, 5 minority seats. Contains high proportion
professionals, many virtually unknown. Tehran independents
announced candidate list headed by Amini, Forud, Behbhani.
Mardom list not yet out. (UNCLAS).

Comment: Melliyn list came as surprise because
several party regulars with bad reputations excluded, re-
placed by new faces with no known political liabilities.
Melliyn provincial committees reportedly dissatisfied because
list bears so little relation to their suggestions. Several
committees resigned en masse from party. (OFFICIAL USE ONLY)

(2) Iran oil production surpassed by Iraq

Iran oil production in June totalling 3.80
million tons was surpassed by Iraq production 3.96 million
tons. (UNCLAS).

Comment: This development which anticipated
several months as possibility could have adverse effect status
of consortium if publicly exploited. (OFFICIAL USE ONLY)

(3) Agricultural outlook

DA IN 26637

(23 JUL 60)

1. RM/R
Amal <i>GJ</i>
Rev
Oct

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Latest appraisal agricultural outlook is 1960 crop will be considerably below 1959 with crop losses in neighborhood \$80-million. Most serious losses are in basic crops as wheat, barley and sugar beets which will result in need for additional imports and this adversely affect foreign exchange situation.

B. Iran-USSR

(1) Russian language classes.

FonOff informed Emb Irangov has suspended language classes of Iran-Sov cultural society; believes classes being used for subversive purposes. (CONF)

2. Psychological

A. Press and Radio

(1) Cuba

Though less than last week, still rather unusual interest this issue; comment less unfriendly. Ettela'at noting Cuba's complaint to security council, remarked "if any one of parties had real reason to make complaint...it was US" Same paper elsewhere noted new Kremlin foreign policy, namely abandonment of covert interference in affairs other countries for overt; predicted UN countries, which have not forgotten Hungary, would not be deceived. Keyhan vaguely noted Castro depiered* blow to Monroe doctrine, said US must revise policy, act more realistically. Farman blamed Castro for endangering peace, noted US., other Cuba neighbors could not remain indifferent (UNCLAS).

Comment: Embassy believes Khrushchev bullying in this case has had beneficial influence in waking some Iranians to real issues involved. (OFFICIAL USE ONLY).

(2) US foreign policy.

Donyaye Jadid for third week running lambasted US policies; listed American "failures" in Hungary, Lebanon, Iraq, Korea, Japan, Turkey, noted US "satellites" one-by-one falling out of orbit. Americans cannot face facts, insist on offering "Same old aid"; think only of their own success, not of needs of other nations. Joined by Vahemeh, which, starting from Lippman article, scored crude US policy

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in Asia, Africa, laid most of blame on black and "this destructive establishment", the world bank. Also blasted Lilienthal-Clapp for gobbling up Iranian money for surveys, producing nothing. (UNCLAS)

(3) US elections.

Kennedy nomination by the whole greeted optimistically. Four of five papers commenting noted recent "failures" US foreign policy had improved democratic chances. General assumption Kennedy would pursue realistic, enlightened foreign policy. (UNCLAS).

(4) Congo

All six papers commenting blamed Belgium in one way or another, most feeling Belgian colonial policy caused trouble in first place, sending of troops unwarranted and provocative. Ettela'at, though noting sending Belgian troops to protect Belgians "could not be condemned", wondered why Belgium could not at least publicly promise to withdraw troops when UN had restored order. Said nevertheless, Belgians carry blame for shortsightedness in not preparing Congolese for freedom. Commended US on wise decision not to send its own troops. Lamented effect in South Africa. Two small papers noted it is UN function to protect weak nations, Siasi calling on latter to join ranks since neither USSR nor US pays any attention whatsoever to UN orders, each using UN in own interests. All papers, directly or indirectly, exude feeling any unilateral intervention undesirable, prayerful UN will measure up. (OFFICIAL USE ONLY)

(5) Iranian elections

Relatively light comment shows less skepticism than previously, stemming largely from Melliyun party publication list candidates. Keyhan hailed "new era" thus initiated by Egbal, noted fresh blood infused into elections; "we hardly see faces of old guard in new list". Dehan noted "calm and quiet purge" of Majlis which has begun, rejoiced in absence from list of several persons who among them have done "more harm than...eighty thousand Mongols". Dehan and English-language Tehran Journal pounced on Interior Minister Atabeki's statement public would not be allowed to supervise elections, querying whether Ministry "supervision" does not amount to manipulation. (UNCLAS).

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Comment: PM Eqbal hastened to issue statement Atabeki was only outlining functions of Ministry as specified by law, said in order to maintain public confidence local election committees would be instructed to permit representatives of candidates to guard polls against rigging. (UNCLAS)

B. Propaganda

Radio Moscow devoted program to Morrison-Knudsen's Karaj Dam project stating it symbolic of alliance between US monopolists and Shah and pointing to "criminal carelessness" that has resulted "murder" of many Iranian laborers. NVI spoke of visit SecArmy Brucker, calling him "warmonger representative" of aggressive circles of the world". (UNCLAS)

3. Military

A. Army

(1) Embezzlement, 4th Brigade.

Brig Gen Ali Akbar Khodazzgan, CG, 4th Indep Brigade, Rasht, one lt col, one maj, five lts, ten NCO's and six civilians have been arrested for embezzlement Army funds, criminal misappropriation, forgery and misuse of authority. Since 40 million rials (approx \$526,000) have been embezzled over a 10-year period, previous commanders, as well as Gen Khodayegan, and other personnel appear to be involved. Investigation continuing and prosecutions to take place at a later date. (CONF)

Comment: Corruption, mismanagement of funds and embezzlement frequently exist in the IIA. It is felt that final outcome this case will largely depend upon amount of influential support key officers involved are able to gain for their defense. Believed to be an isolated investigation and not initiation of a large-scale campaign against corruption in IIA. (CONF).

B. Navy: Negative.

C. Air Force

(1) IIAF F-86 delivery

IIAF now has total of 14 F-86's. Four more to be delivered on 29 July. (CONF).

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(2) Five USSR IL-18 overfly Iran

Five USSR IL-18s will overfly Iran on 21, 22, 24, 26 and 28 July enroute Moscow to Baghdad. (SECRET)

Comment: Suspect these aircraft will fly Baghdad to Addis Ababa or Cairo with final destination Congo. IR follows. (SECRET).

(3) Project Moon Dust.

On 17 July 1620Z three separate observations were reported stating an unidentified flying object was seen travelling east to west over Caspian Sea. Trajectory was flat. Glowed with greenish white color. At end of visibility object broke into two separate parts. (CONF).

Comment: Object could be Earth Satellite 1960, Epsilon Two, Sputnik IV, IR follows. (CONF)

NOTE: *As received.

ACTION: ACSI

INFO: DCSOP, JIG, OSA, OSD, AF, NAVY, STATE

DA IN 26637

(23 JUL 60)

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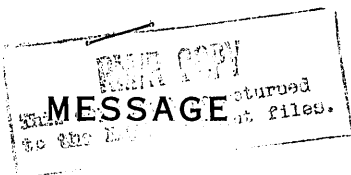
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NR: 300800Z

JW 30

JUL 60

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SGD WAILES

1. Political

A. Iran-UAR

Responding President Nasser's Alexandria speech attacking Shah and breaking relations over issue recognition of Israel! Iran ordered departure UAR Ambassador and recalled envoy from Cairo.

In press statement July 27 FonMin Aram referred Nasser speech as insane and insulting. Declared fact is Iran Gov gave de facto recognition to Israel ten years ago and that representative sent there was later recalled. Said thus far no other envoy has been sent and accused Nasser distorting matter. If Iran had recently recognized Israel. Described Nasser as "lunatic pharaoh of Egypt" who was attempting sow discord and strife between Iran and other Moslem countries.

Saudi Arabian and Iraqi Embassies awaiting instructions but do not expect their government follow suit.
(UNCLASSIFIED)

Comment: Nasser's attack apparently prompted but not explained by Shah's July 23 press conference (see below)
(UNCLASSIFIED)

B. Iran-USSR

(1) Sov note

Fon Min Aram has been ordered by Shah to prepare reply to recent Sov note (WEEKA 28). Aram said Shah anxious to complete the note, but willing give full consideration to US, UK views. Aram said reply "would not be bad"
(SECRET)

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(31 Jul 60)

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C. Internal

(1) Elections (WEEKA 29)

Complete Melliyun, Mardom party candidate lists now published. Both parties made effort to get rid of worst elements, supplanting them with unknowns, mostly professional people.

Govt instructed provincial govs (July 21) and Govt Tehran (July 27) to organize election supervisory councils as first step in election procedure. Five days allotted this job. Provincial councils virtually complete.

Independent activity continues with wide press coverage. Amini and PM Eqbal had vitriolic exchange, Eqbal threatening to "tell all" about Amini's recall from Washington 1958. Amini election rally wrecked by hecklers, degenerated into brawl. Amini accused Eqbal of sending thugs to provoke fight. Mozafer Baqai, reacting to interior min's criticism his poll watchers' group, charged at press conference elections will not be free, said govt subtly interfering with Shah's wish. Group closely associated with Mosadeq's govt presented petition interior min charging elections will not be free. Press reported small demonstration in connection presentation petition. (UNCLASSIFIED)

Comment: Announcement of official party lists and convening of supervisory councils sets stage for election start. Increasing evidence elections will be thoroughly rigged.

Party efforts demonstrate unity and present "clean" slate of candidates somewhat marred by withdrawal several candidates, most giving "personal reasons". (CONFIDENTIAL)

(2) Shah's press conference

In July 23 press conference Shah made following points: Majlis elections will be free except for traitors; appearance new faces on Mardom, Melliyun lists is "white revolution" which is welcome because people tired of old ruling class; there no limits on number parties which can participate in elections; Iran recognized Israel in years past and there nothing new on subject (see Iran-UAR). In off-the-record comments, Shah strongly criticized hostile

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attitude some US publications. Said US press ignores Iran's recent progress and has contacts only among notorious individuals in Iran. Also said despite Iran's firm alliance with free world, Iran has received much less US aid than have many neutralists like Yugoslavia. (LIMITED OFFICIAL USE)

(3) Stabilization program developments.
Proponents stabilization actively pushing various aspects control program. Bank Melll has tightened administrative controls over foreign exchange usage and has maintained tight controls domestic credit supply. US-Iran trade agreement abrogated July 27 (see below). Shah in cabinet reviewed in detail July 23 developments resulting from Washington ministerial talks. Shah ordered immediate activation permanent committee to supervise GOI loan operations. IMF consultations now proceeding favorably after sticky start. (UNCLASSIFIED)

Comment: Despite cabinet personality clashes and variety administrative problems, progress being made GOI effort put economic house in order. (OFFICIAL USE ONLY)

(4) PL 480 agreement
The Iranian and U.S. Governments July 26 signed \$3.69-million PL 480 agreement for approximately 50,000 tons wheat. Due emergency conditions Iran has negotiated with Indian Govt to divert some wheat now on high seas to Iranian ports. (UNCLASSIFIED)

(5) Reciprocal trade agreement terminated
At GOI request, US-Iran reciprocal trade agreement of 1943 (as amended 1951) will terminate August 26, 1960. This was effected by exchange of notes between Amb and FonMin on July 27. GOI argued it needed more flexibility in dealing with imports in order carry out stabilization program. Agreement set ceiling tariffs on 30-odd items and, due to MFN privileges of some 17 states, was effective and inflexible tariff schedule of Iran. American exports facing increased duties include following highly important items: Tires, passenger cars, possibly televisions and radios. (UNCLASSIFIED)

2. Psychological
A. Press and radio

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(1) Anti-Americanism:
Donyays Jaid and Diplomat (new name for
Vahameh) continued vitriolic attacks on US. (UNCLASSIFIED)

Comment: Embassy learned Diplomat (Vahameh) articles
being written by Ahmad Aramesh, formerly head independent
party and Minister of Labor. Aramesh in 1957-59 indulged
in similar campaign, same themes. During that period
articles created some excitement as press in general
pretty dead. Today articles appear to be attracting little
notice (Diplomat is tiny weekly). Aramesh motives apparently
personal, though goals unclear. Aramesh heard to say would
continue attacks until Americans come to kiss his hand.
(OFFICIAL USE ONLY)

(2) Congo
Heavy comment continues trend of laying blame
on Belgians for rebellion, calling for withdrawal Belgian
troops. Little comment on US-Soviet positions except to
worry whether international tensions or war will result.
Keyhan International stated US cannot remain passive to
Soviet verbal attacks, best US policy is stand firm on
policy adopted. Several papers congratulated UN on handling
situation. (UNCLASSIFIED)

Comment: Most of press seem to accept US behavior
as correct; to most Iranians Belgian, not US policy is at
issue. (UNCLASSIFIED)

(3) Cuba
Comment light. Keyhan International presented
correct summary of US actions, opined US "acted well",
USSR simply using Cuba to keep US Soviet relations at high
pitch. (UNCLASSIFIED)

(4) Iran-Israel
Moderate comment this issue follows closely
govt line. (UNCLASSIFIED)

(5) Elections
Fairly heavy editorial comment continued
along lines last week. Some papers still disturbed at
Min Interior statement to effect that supervision of elections
is obligation of Min and public will not be permitted to

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interfere; Baqai's blast of Min in this regard headlined in Kayhan, as was brawl at Amini meeting. (UNCLASSIFIED)

Comment: As campaign progressed many papers have become increasingly free in expression and reportage of criticism. Keyhan particularly gives full coverage activities, speeches independent candidates. More conservative, wide-circulation Ettela'at, however, gives cursory coverage or none to activities of independents. (UNCLASSIFIED)

(6) Mossadeqist rally

Reuters correspondent informed Emb that prior to July 26 rally Mossadeq supporters (see above) he received anonymous phone call apprising him of meeting; believes other correspondents, also local papers called. (OFFICIAL USE ONLY)

Comment: Mossadeqists interest in international publicity appears obvious attempt bring Shah, government into disrepute. Small rally, however, not molested, and delegation quietly received by Min Interior. (OFFICIAL USE ONLY)

B. Radio Moscow; NVI

NVI claims US Amb stated Shah has now given all necessary guarantees for use of Iranian bases by US planes. Radio Moscow referred to several US publications with critical articles about Iran, pointing out that even US knows Shah's regime is weak. (UNCLASSIFIED)

3. Military

A. Army

(1) Officer assignments

Col Yar Mohamad Saleh selected replace Brig Gen Akbar Shahshani as Iranian Mil Attache to US. Col Ali Akbar Fardi, IIAF, Asst J-2, Foreign Liaison Office, appointed Asst Mil Attache to Paris. (OFFICIAL USE ONLY)

Comment: Appointments apparently routine officer reassignments. (OFFICIAL USE ONLY)

(2) Corruption, IIA

Press reports five Brig Generals arrested for corrupt practices. Reports indicate arrests total approx

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125 officers, NCO's and civilians. (UNCLASSIFIED)

Comment: Attempt to eliminate corrupt practices in conscription dept was initiated by Shah with appointment of Gen Batmanquelitch to investigate this dept (1959 WEEKAs Passim). Timing of arrests, coupled with recent arrest Brig Gen Khodayegan, CG 4th Brig, for mismanagement and embezzlement of funds (WEEKA 29) may be effort by Shah in view forthcoming elections show positive action to eliminate corruption in armed forces. (CONFIDENTIAL)

(3) New Italian Attache
Capt De Vascello Luigi Baroni, Italian Navy,
arrived Tehran 23 July Vice Rear Adm A. M. Villa as Mil
Naval and Air Attache to Iran. (UNCLASSIFIED)

Comment: Routine assignment. (UNCLASSIFIED)

B. Navy
(1) USS Greenwich Bay
USS Greenwich Bay AVP 41 RAdm J. R. Lee
embarked made operational visit Bushire 25-27 July.
(UNCLASSIFIED)

Comment: In spite extreme heat and humidity visit went well. Governor and other local officials impressed idea ship visit under these seasonal adversities.

C. Air Force
Negative.

ACTION: ACS1

INFO: DCSOP, CA, OSA, JIG, OSD, AF, NAVY, STATE

DA IN 29062

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